COMPETITIVE DEVELOPMENT: ECONOMIC DEVELOPMENT AND THE INQUIRY INTO POWER RELATIONS IN MISSOURI

A Thesis
Presented to
The Faculty of the Graduate School
University of Missouri-Columbia

In Partial Fulfillment
Of the Requirements of the Degree

Master of Arts

by
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August 2006

The undersigned, appointed by the Dean of the Graduate School, have examined the thesis entitled

COMPETITIVE DEVELOPMENT: ECONOMIC DEVELOPMENT AND THE INQUIRY INTO POWER RELATIONS IN MISSOURI

Presented by Thomas Edward Lamoreux

A candidate for the degree of Master of Arts

And herby certify that in their opinion it is worthy of acceptance.

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ACKNOWLEDGEMENTS

I would like to take this opportunity to thank those that have lent a helping hand. My committee has served a beacon leading me in the right direction. I want to especially thank Clarence Lo and Ken Benson for their tireless help on topics of broad theoretical significance to silly grammatically inconsistencies. I want to highlight the help Joan Hermsen offered in the very beginning of this project. She helped to focus the base of this project and started me out on solid ground. I would also like to thank the Cohort of 2003 for their friendship and support through my years in Missouri. Of course I would like to give extra emphasis to my mother and father for their open ears and sound advice. Connie and Gary Lamoreux have been the support during my difficult times and a humbling presence when I lacked to ability to see past myself. Renee Lamoreux has been a wonderful complement to my parents for advice that only a sibling could offer. The final push of this project was also made easier by my special partner Randi Beatty who listened to everything from synopses to complaints with only support and advice. Finally, I cannot forget a group of solid friends that have been my core since a young age. While we do not stay in contact as much as we should their support and presence is always known. I would like to thank Shawn Walding, Doug Wurth, Jason Gehling, Jason Schrunk, and Nick Godfrey.

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ABSTRACT

Economic development policy is an important topic for legislatures across the country. The contemporary trend of economic development policy has spread throughout the country in response to the political and economic changes of the last 30 years. A side effect of this focus has been the increased competition for investment between individual states and also between the various municipalities inside the states.

Economic development policy is a tool that signifies a change in power relations and larger social structures. The expressed purpose of this thesis project is to highlight how the use of economic development policy has adjusted to larger national and international changes in private, political and economic organization.

This work will utilize a case study methodology which focuses on the state of Missouri, while looking to place the state in a larger context outlined in Gordon, Edwards & Reich’s Social Structures of Accumulation Thesis (1982/Wallace & Brady extension 2001). The main contention derived from this thesis is that economic development policies are social structures of accumulation that have become institutionalized because of macro-level changes in the economic and political environment. This work will highlight how the emphasis of location, business climate and public/private cooperation are all outgrowths of this contemporary trend.

I. Introduction

> In making decisions, government officials operate with both sticks and carrots to structure local markets. The sticks are regulations and punishments, albeit mild, that fall upon developers who break the existing rules; the carrots take the form of financial rewards for those whose activities, serve a putative public purpose (Logan & Molotch 1987).

Economic development and the constant search for growth is a defining feature of all levels of government throughout the United States. Over the past 25 years it has become increasingly important to be an aggressive player in the economically restructured global economy of the 21st century. Quickly emerging macro-level changes have shocked state and local governments. The globalization of key industries has left a gap in both state budgets and revenue streams. The transition from a manufacturing economy to a service economy has created an unstable economic climate for states desperately trying to create jobs and generate revenue. Deindustrialization, capital flight, and outsourcing are all intertwined results of a changing economy and a decade of deregulation and decentralization policies implemented on the national level. These are only a few of the sweeping changes that have defined the economic, political and social landscape of a changing world.

The desperate need for new economic development, on top of retention, has sent legislatures head first into the previously uncharted territory of state sponsored investment and business attraction. The extent and the speed of the changes have made the efforts of state and local governments risky and uncertain. The contemporary trend of economic development policy has spread throughout the country in response to the political and economic changes. A side effect of this focus has been the increased competition for investment between individual states and also between the various municipalities inside the states. Scholars have dubbed this round of competition as the second civil war but this time the war is being fought with incentives instead of bullets (Watson 1995). The competition to develop economically has created a shift of power inside individual states. The competition between states is a zero-sum game on many levels in which the government exists as the fulcrum with the ability to legislate policy that takes power away from one group and give it to another. The existence of union strength, comprehensive social programs, and a regulatory environment are all factors which diminish a state's favorable climate for business and investment. These factors designed to give power to the workers and consumers, are being down graded because of the states need to attract fleeting capital.

The competition is all taking place in a context of pro-growth for the workers and consumers. This ideology has sharply competing methods to achieve the end but the importance of growth has little debate. The purpose of this inquiry is to highlight an environment in which the state has little control over the economic development agenda. In searching for the next means of development the environment does not allow the state to question economic development itself. This study looks to introduce these topics and show how they have been created by a historical progression, tied to a century of antagonistic relations between capital and labor.

Abbreviated Concepts

Before moving on to the research questions an abbreviated discussion of the relevant topic will be important in understanding the scope of the study. I will define what is meant by economic development policies, a state's business climate, policy domain, waves and categories. The discussion will be brief because a more in-depth analysis will be done in a later section. This will help provide a framework to help better understand how the theoretical portion fits into the scope of the proposed study.

An economic development policy as defined by Peter Eisinger includes the "… efforts by government to encourage new business investment in particular locales in the hopes of directly creating or retaining jobs, setting into motion the secondary employment multiplier, and enhancing and diversifying the tax base" (Eisinger 1988:4). The purpose of an economic development policy is to attract and retain business. The policies are meant to affect the outlook of prospective business interests but more broadly these policies along with many other types of polices (education, litigation, tourism, job training, infrastructure improvements, etc.) are all meant to enhance the business climate of a jurisdiction. The business climate can be defined as, "A multidimensional investment milieu offered by local governments and local populations for the private sector in terms of taxes, unionization, wage structure, labor force skills, capital availability and policies affecting new business initiatives" (Kasarda & Irwin 1991:738).

Place will be an important topic discussed in this paper's theoretical portion. Much of the importance of the last two concepts revolves around enhancing *place*. The setting and understanding for the creation of *place* must happen within a setting. The setting for this study will be referred to as the policy domain. The policy domain is characterized in two ways. First, it is the geographical jurisdiction in which policies have legitimacy. Second, the policy domain is created by various interests competing for scarce resources allocated by the governing body (Eisinger 1988). The policy domain relates to Logan and Molotch's concept of *place* but will be focused on the policy process. More specifically highlight the lawmakers and bureaucrats involved in creating and optimizing *place* for the purpose of economic development.

Waves and categories are two means of differentiating economic development policies and approaches. Keith Boeckleman (1999) outlines general trends of economic development policy over the past thirty years by separating them into three waves. Leicht and Jenkins (1994) restrict the temporal and regional differentiation of economic development so their study instead distinguished different types of economic development policies. Both studies will be important in understanding the various policies and how they relate to region and time period. I will link the policy variations to the long swings of capitalist development and examine the creation of official efforts of state economic development policies.

Research Questions

I will outline five points of contention regarding state economic development policy and utilize a case study to examine those policies in the state.   In this paper I develop a theoretical foundation for explaining contemporary waves of economic development policy in the United States. The study will then narrow the discussions to the state of Missouri and draw theory and methods to the case study of that state's approach to economic development. To focus the study I want to briefly outline the five main tenets of the research problem that will be addressed through the case study of economic development policy in the state of Missouri.

First, the competition between states and municipalities for investment is an important indicator of both the desperate need for growth, along with the privileged position which the providers of that growth have. Discussions with key state legislators will examine the role of competition in defining and strengthening public policy affecting economic development. Their responses will shed some light on the created relationships between labor and capital; and the role the state and local government has in creating and replicating these relations.

Second, this study will locate Missouri both in the regional and national trends of economic development. Much of the discussion in the literature revolves around categorizations, effectiveness, and/or regional variations of economic development policy. I will narrow the scope and draw from the previous works and utilize their methods to better understand the created environment for growth and investment in Missouri.

The challenges and successes of a state are not solely felt inside an individual state. Many states in a regional area experience similar growth chances. This regional variation and similarity is also another point of interests. The geographical location of Missouri makes it an interesting case study. Different geographic regions tend to have different ways of approaching economic development. Missouri is located between a Midwestern and Southern region. I will outline the competing forms of economic development by region and decide where Missouri falls.

Third, in a less abstracted view of the troubles facing states I will draw from the discussions with the members of the Department of Economic Development to give a specific example of how a state deals with the created environment that was outlined in the previous few pages. The individuals who spend a majority of their time working to enhance Missouri's business climate and create jobs are not oblivious to the concerns outlined throughout this discussion. With the knowledge they have about the problems facing Missouri it will be important to discuss how they create legitimacy for Missouri's business climate while still avoiding a possibly exploitive situation for workers and consumers.

Fourth, the importance of a state's business climate has been highlighted in the diverse set of literature on economic development and the policies meant to create growth. This emphasis put on the interest of private enterprise and more specifically employers will yield an important understanding on how the privileged nature of business in the state creates and shapes the roles of various groups in the inner workings of the states. Drawing from a similar qualitative study by Herbert Rubin I will supplement the interviews with lawmakers and department officials with participant observations and various other public documents (These range from newspaper accounts, lawmaker press releases, actual policy, and/or independent studies commissioned for the state). The idea of 'system bias' and an 'inner circle'[1] mentality from both within and without the government corridors will be explored.

Finally, I would like to pull the scope back to understand how this created environment uses economic development policies as a means to support the new long swing of capitalist development and how the policies create the new set of Social Structures of Accumulation necessary for capitalist development.

This proposed study will not look to diminish the importance of economic development, the interest of business and growth in general, but instead will look to problemetize the process and explore possible deviations that would lead to more equity in the distribution of power and privilege.

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[1] I will explain how Rubin's system bias and Useem's inner circle apply later in the text.

My contention is that the structure of the relations between the laborer, the state, and business has shifted, while the national business cycle created by a neo-liberalization of national policy has privileged the interest of capital over labor. This change has given corporations unheralded power to set the terms of political and economic interactions.

The main theoretical scope will utilize Wallace and Brady's extension of Gordon, Edwards, and Reich's work *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States (1982)* to include a newly emerging swing of capitalist development and control. The original thesis created by Gordon et al traced the emergence of capitalism in the United States from the late 18th century to the current time period for the text of the early 1980's. Using Wallace and Brady's discussion of the new long swing of *spatialization*, I will tie together how the transition discussed by Useem affects individual states in contemporary times.   Useem's discussion in his text the "Inner Circle" (1983) highlights class wide privilege created by individuals and groups with the most resources as a means to benefit their interests. The base derived from Useem will not be solely from the central thesis of his analysis, but the adherence to his socio-historical tracking of the time period and the actor's relevant to the process. His discussion of the progression from family capitalism to organizational capitalism will serve to create the role of business/capitalist in the state's creation of economic development policy. Once a base has been outlined, relevant support and literature from the last 20 years will be discussed as a means to strengthen the theory and set the stage for a study along these theoretical lines.

Finally using works by Logan and Molotch and David Harvey I will outline the importance of *place*, value, and exchange and how all of these ideas are encompassed in the growth mentality of state and local governments.

At this point I will outline the subsequent chapters to better illustrate the path of inquiry of this thesis project. The next chapter will outline a historical view of economic development and economic development policies over the past 30 years. The larger structural discussion will revolve around Social Structures of Accumulation, waves of economic development policies and Wallace and Brady's long swing of capitalist development. The third chapter will be the extension of the theoretical portion which will include topics of importance in discussing the analytic concepts of relevance for the data analysis chapters. Chapter four will discuss relevant literature nested inside the created theoretical scope. Many of the topics and concepts briefly introduced in the introduction will be more fully discussed along with topics not yet introduced. Chapter five will outline the methodology of the study and the means in which I will look to add support and clarify questions discussed earlier. The data analysis chapters (six, seven, and eight) will follow. Chapter six will look to create Missouri as *place* and outline the importance and relevance of competitive development. Chapter seven will narrow the scope of the study to the 93rd session and changes made and the emphasis of business climate enhancement in this session. In the final data analysis chapter I will expand on the topic of system bias and how this bias can be seen in relation to economic development policies and business climate enhancements. Finally, I will conclude with a summary of findings and possible policy suggestions derived from this inquiry.

The study proposed is an exploratory case study of how national trends and local state policies have shaped the business, labor, and social climate of the state of Missouri. I hope to develop a strong methodological base to add important scrutiny to a process that has been an important topic of scholarly debate in the past two decades.

II. Theoretical Discussion: Historical Development of Economic Development Policies

This initial portion of the bifurcated theoretical section will focus less on Missouri as a case study, but more on the larger structural issues of how economic development and the aforementioned policies tie into the narrowed focus. Economic development policy is the main focus of the thesis project but the policy is nested in a larger historical discussion outlined with the emerging literature on Social Structures of Accumulation. The main purpose of the second chapter is to introduce the environment. Understanding the context will allow the addition of the substantive analytic topics to relate directly to the larger environment in which these policies take on meaning. I will begin by introducing the Long Swing theory created by Gordon, Edwards, and Reich and the contemporary extension which will serve as the main theoretical engine of this study.

The main theoretical emphasis is derived from Wallace and Brady's extension of Gordon, Edwards, and Reich's work *Segmented Work, Divided Workers: The Historical Transformation of Labor in the United States (1982).* The inclusion of a fourth swing of capitalist development has connected the contextual relationship between Gordon et al's work and the current analysis by Wallace and Brady's article *The Next Long Swing: Spatialization, Technocratic Control, and the Restructuring of work at the Turn of the Century (2000).*

The original thesis created by Gordon et al. traced the emergence of capitalism in the United States from the late 18th century to early 1980's. Since this current study will look to emphasize the importance of economic development policy's process in a historical context, I will begin with a brief overview of the various Social Structures of

Accumulation (SSA) and the dominant systems of control, which preceded the most contemporary SSA (*Spatialization)*.

Table 1

Historical Forces Shaping the Organization of Work in the United States: Long Swings, Social Structures of Accumulation, and Dominant Control Systems

Social structures of Accumulation	Initial Proletarianization	Homogenization	Segmentation	Spatialization
Dominant control System	*Simple: entrepreneurial, Hierarchical*	*Technical*	*Bureaucratic*	*Technocratic*
Approximate timing				
1790-1820				
1820-mid-1840's	Exploration			
Mid-1840's-1873	Consolidation			
1873-late 1890s	Decay	Exploration		
Late 1890s-World War I		Consolidation		
World War I-World War II		Decay	Exploration	
World War II-early 1970s			Consolidation	
Early 1970s-present			Decay	Exploration
2000-				Consolidation

Long swings: Long Periods of sustained economic growth (perhaps 25 years long) followed by long periods of sustained economic decline (perhaps 25 years long), usually connected to revolutionary, new modes of social and economic organization or "epoch-making inventions."

Social Structures of Accumulation: The specific institutional environment within which the accumulation of capitalist profits takes place, including such things as core technological systems, the way markets are organized, the monetary and credit system, the pattern of government involvement in the economy, and the character of class conflict over the accumulation process.

Dominant control system: The "contested terrain: of capitalist-workers relations: the dominant system of control used by capitalists to elicit compliance by workers to a prevailing system of production; a core component and dynamic feature of the social structure of accumulation.

Note. Some "experimental" methods of controlled that proved insufficient in the late 1800s, early 1900s: scientific management, welfare capitalism, company unions.

As seen in Wallace & Brady 2001.

Long Swings

Framing the dynamic and antagonistic relationship between capital and labor over the life of western capitalism in the United States is the main thesis of the 1982 text by

Gordon et al. The analysis begins with the recognition that in the United States capitalism had to be created; it was not simply a natural social and economic progression. Therefore, the exploratory stage of the first swing of capitalist development was forming the necessary labor pool to work in the factories. Individuals became wage laborers because they were stripped of their means to create or produce a way to support themselves, and all they had left was to sell was their labor. This was the beginning of the period of work socialization termed *Initial Proletarianization* (Gordon et al 1982: 56).

Initial Proletarianization introduced men, women, and children to factory wage labor. Because of the novelty of the introduction of wage labor, elaborate systems of control were not necessary. Capitalist owners were able to oversee the workers with simple technologies. The small size of the factories allowed single capitalist entrepreneurs the ability to monitor the activities of the workers. The important change orchestrated by the emergence of wage labor was not only the new technologies or factory setting, but instead the new form of organization inherent in the work. Gordon et al states, "What mattered most…[was] the organizational principle by which its labor process was established. Most importantly, capitalist's hired workers to carry out production activities that they (the capitalist) had organized"[2] (Gordon et al. 1982:69).

The creation of the second SSA arose from the decay of the first. Workers maintained control of their crafts and overwhelm the rudimentary control system implemented in the first SSA. Since many of the crafts were highly skilled, production rested too much on the shoulders of the laborer. With the increasing size and scope of

[2] Gordon et al. adhere to that organization stood above technology as a shaping force of the SSAs. This is true throughout the text and all of the other SSAs. This is an important point which will be elaborated later as the theoretical application is discussed.

production the old means of control were no longer adequate. The emergence of the second SSA, *Homogenization of Labor,* began as the response to the decreasing control the old system afforded the capitalist class.

The *Homogenization of Labor* introduced new technology and workplace organization. This time period marked the beginning of the capitalist class' long campaign to enhance control through technology and the deskilling of the workforce. Homogenization as a concept was applied to both the laborer and the labor. This time period gave way to technical and organization creations like the mechanization of production through innovations like the assembly line and a shift from specialized trades to a more detailed division of labor. The new division of labor made workers more interchangeable and made it more difficult for the laborer to exert control over their work. The organization of production was not as contingent on any individual or a small group of skilled craftsmen because the process had been fragmented and mechanized into less specialized operations. The implementation of the new organization of work allowed the capitalist to wield more control over the production process.

The dominant system of control was to use the machines to control work through technical control. Technical control "…involved designing machinery and planning the flow of work not only to produce greater efficiency in production but also to have more effective control of the workers" (Wallace and Brady 2000: 110, Gordon et al 1982 & Braverman 1974).

The same attributes that made the SSA of *Homogenization of Labor* were the same that led to the structure's demise. There are two main reasons for the demise of this SSA. First, the deskilled nature of the work, implemented to maintain control also made the excessive labor turnover a problem. "Given labor's resistance to irregular employment, personnel experts began to view regular employment as a necessary condition for better labor relations" (Gordon et al 1982: 172). The difficulty in maintaining a consistent flow of reliable labor made production sporadic and unpredictable. Second, the experiences of the laborer became so routininized that the drive system began to push the workers together and they began to form informal work groups that worked to control production and would eventually lead to the labor movement in the United States (Gordon et al 1982).

The *Segmentation of Labor* emerged once the previous SSA became ineffective. Since the previous swing created a homogenous mass of class conscious laborers, fragmenting the laborers was necessary. S*egmentation of Labor* remedied both problems by creating two competing labor markets. The primary or monopoly labor market was filled with well paying jobs with, good working conditions, benefits and regular work schedules. The peripheral labor market was the opposite, low pay, few benefits and high turnover of work and workers. This 'divide and conquer' plan remedied both tenets that led to the demise of the previous SSA. Labor turnover was remedied because the peripheral labor market served as a reserve labor army. At that point the jobs had become deskilled to the point that replacement on a small scale could be done with little adverse affect on production.

The dominant control mechanism of *Segmentation* was bureaucratic control. Bureaucratic control was the logical offshoot of the previous SSA's means of control because it approached labor with the same dehumanized and rational manner. The seeming indifference and rational nature of the bureaucracy maintained control through written rules and procedures that were not questioned because of the hierarchical structure of bureaucratic control. The main tenets of the drive train were expanded and hidden in the bureaucracy, and it served to create a mold for labor behavior and control. For example the seemingly long fought victory for labor unions following World War II was the Labor Capital Accord. But this victory served as a double edged sword because it helped the capitalist class with the process of segmenting the labor force.

By agreeing to the accord, labor's relation to capital was damaged. The labor-capital accord further served to reinforce processes of segmentation by privileging unionized workers in the monopoly sector at the expense of the non-unionized workers in both sectors. Also, the accord eased the tension between labor and capital in a legal-rational way. For example the post-war accord between capital and labor provided a stable and cooperative collective bargaining system, permitting employers to institute productivity-enhancing innovations in technology and the organization of work. "…Employers could count on the stability of this system for some time, and it worked quite well to generate an underlying favorable context for capital accumulation" (Gordon et al, 1982:33). The accord made strikes and labor unrest illegal and therefore the accord ultimately left a passively restrained workforce which allowed capitalists' the ability to seek out new innovations which would diminish the reliance on the union workers, such as automation and global labor pools (Rubin 1997 & Gordon et al. 1982).

The demise of *Segmentation* and the emergence of *Spatialization* are attributed to three transitional forces which have shaped the current environment which this study will explore.

The United States' hegemony on trade and commerce allowed the U.S. and multinational corporations an advantage in the newly emerging global market. But the increased global competition made the U.S. employers adopt a 'lean and mean' organization of production. The lean and mean organization can be associated with trends of deindustrialization, outsourcing and various other forms of capital flight (Wallace and Brady 2001).

The need to be competitive in the changing environment meant discovering a means of cost reduction for production. Reconfiguring many areas of the organization of production and work led to the creation of new technologies, which made the production process less expensive, more efficient and increasingly flexible. The speed of the technological innovation, especially in communication and transportation broke down both temporal and spatial borders. Coupled with the first transitional force the embedded nature of U.S. business was being overwhelmed with the need to compete in the global economy.

The creation of a world organization of trade, finance and investment like the International Monetary Fund (IMF), World Bank and GATT have all created a positive environment for accumulation. In many ways these organizations have served both political and economic means for a global imperialism of resources and labor. Subsequently, the new organization of labor in the U.S. has seen its stake in the relationship between capital and labor diminished to the point of vulnerability. This is where the fourth long swing, *Spatialization,* ties directly into the environment of state government and the use of economic development policies to attract business and foster growth (Wallace and Brady 2001). In the literature review section the global changes introduced will be coupled with domestic changes brought about during the new federalism programs of the late 1970s and early 80s.

Spatialization was borne from the crumbling long swing which involved segmented labor markets and bureaucratic control. The *Spatialization* thesis has very relevant tenets in relation to this inquiry into economic development policy and how Missouri approaches the relationship between capital and labor. I will begin the discussion of the points of agreement in this theoretical scope. Wallace and Brady state,

> Spatialization centers on employers' constant quest for the optimal spatial arrangements for their business operations in order to simultaneously maintain the desired proximity to labor markets, natural resources and raw materials, and consumer markets. No longer bound by conventional temporal or spatial constraints in the arrangement of work, employers utilized spatial relocation or threats of relocation to control workers and limit their demands (Brady & Wallace 2000).

The given definition and application of spatialization will serve as a good beginning point to the discussion of how the newest SSA applies to economic development policy in the state of Missouri.

The threat of relocation has led to labor concessions on wages, benefits and overall production, it has also transcended into public policy. Economic development policy involved a broad umbrella of policy's varying from location incentives to insurance and litigation reform. The programs are created to improve an area's business climate. The existence and increasing adherence to the policy has shown *Spatialization* has also changed the landscape of state government. These policies have created a political institution whose purpose is to attract business investment and create jobs. Before the emergence of exploration phase of *Spatialization* these official agencies and institutions did not exist on such a widespread basis[3]. Now there is not a state in the U.S. that does not have a government body dedicated to the tasks of enticing business, business retention, and or job creation. The Missouri General Assembly has three committees closely related to economic development, along with a Department of Economic Development (DED).

All of the previous SSAs were defined both by an alteration of work organization and advancements in technology. The organizational change in the fourth swing alters the importance of *place* because the move towards flexible accumulation allows tasks to be done in various geographical locations without a loss of profit. Just in time production has altered labor processes by making *place* less important. Flexible accumulation is the system which spatialization is looking to achieve. Achieving wage flexibility, employment flexibility and functional flexibility is a main purpose of capital threats of relocation (Wallace & Brady 2000).

Both advances in organizational structure and technology play an important role in making *spatialization* a relevant topic in state government. Advances in information, communication and transportation technologies have created a more fluid world of commerce. The technological advances relate to the new environment of *Spatialization.* Kasarda and Irwin state,

> …with the erosion of spatial constraints to business location brought about by modern technology… political processes and environmental amenities may take on greater relevance. Businesses less constrained in their location choices can seek locations with lower taxes more control over labor and higher government subsidies (Kasarda & Irwin 1991).

[3] A brief history of the history of the emergence of these official agencies will be discussed in a later section.

The new dominant system of control, technocratic control, utilizes computer technology to centralize control without concentrating labor. "…technocratic control tends toward a form of 'algorithmic control' characterized by the reduction of 'decision making as much as possible to a set of self-contained rules (algorithms) implementable by a computer" (Wallace and Brady 2000:117).

As technology and social organization have changed, the Social Structures of Accumulation have shifted likewise. Wallace and Brady's interjection of long swings allows a better understanding of the relation the aforementioned changes and the Social Structures of Accumulations. At this point a more focused discussion of Social Structures of Accumulation will complement the previous historical look into Wallace and Brady's work.

Social Structures of Accumulation

Much of the theoretical application relies on the institutionalization of distinct Social Structures of Accumulation. The long swing of spatialization rests on SSAs that are unique to the period. These institutions are borne out of previous SSAs but they become distinctive in the way they interact with the uniquely created environment. These growth promoting institutions are put into place to make capital accumulation interests, behaviors and activities privileged. A decade after the SSA thesis was introduced a reader was published to expand on the approach and respond to criticism. The later text outlines better the importance and applicability of the approach. In the beginning chapters David M. Kotz outlines the overarching social structure of accumulation approach. He state, "The primary ascertain of the social structure of accumulation approach is that a period of vigorous capital accumulation, or long-swing expansions, requires the existence of a broad set of social institutions which support or facilitate the accumulation process" (Kotz 1994: 53). By highlighting economic development and the interaction of various institutions inside the state this analysis will tie together how these SSAs are unique and tied to the larger discussion of the thesis project.

This framework gives a broader approach to periods of growth and stagnation because it does not look to simplify the swing to a strictly economic relationship. The institutions that make accumulation possible are not simply economic. The majority of institutions in this analysis are political and have a vested interest in positive economic growth for the state. Capitalist accumulation must include many spheres to be successful. Past the strictly economic sphere this approach looks at the effect of political, social and ideological institutions and how they can combine to aid in the accumulation process. The connection of government and accumulation interests provided by this theoretical approach will be of great importance. The previous discussion of the Labor Capital Accord of the 1950's gives an example of a multi-faceted approach which aided accumulation. Deregulation of business on the federal level, the new federalism policies of the 1980s and the institutionalization of economic development agencies will be dissected using the scope outlined in the social structure of accumulation approach (Reich 1994).

The social structure of accumulation scope will be integral to highlighting the importance of economic development policies. The applicable connection of the SSA scope is theoretical in relation to the main topic of this thesis project. I will now shift the focus to work that has been done to try regionally and temporally categorize trends in economic development policy in the United States.

Waves and Categories

There is a two-fold purpose for outlining the waves and categories that have been used to separate economic development in a temporal and spatial fashion. The separation allows for a better understanding of the approaches of economic development policy. Also, temporally separating the dominant paradigm highlights the historical progression of state sponsored economic development. Although these functions are important, the categories are an aspect which this project looks to problemitize. The use of categorical distinctions will end once the connection between theory and the case of Missouri is made. Reference will allow this analysis to connect Missouri to larger national trends of state sponsored development. A main purpose of the analysis is to show how the broad categories or waves have more theoretical implication than practical significance. The overlapping and temporal inconsistencies will show how closer look can yield a different picture of the relationship between states and how ideology and interaction play a role that has been under-theorized in the literature on economic development policy.

The first wave of economic development, outlined by Keith Boeckleman, began in the late 1970's and early 1980's. This trend of policy implementation was characterized by an emphasis on supply-side development or "smokestack chasing." These policies looked to attract business by decreasing taxes, relaxing environmental regulations, and implementing "right to work" laws which diminished labor's ability to engage in meaningful collective bargaining. (Boecklemann 1999, Leicht & Jenkins 1994, and Kasarda & Irwin 1991). The main emphasis of most development policies is to improve an areas business climate. The first wave is the strongest of the three waves in manipulation the economic, social and political climate of a state to appease current and future businesses.

The second wave development policies shift from supply-side to demand-side development. Boeckleman states, "…the second wave favors improving the productivity of existing industries and promoting local entrepreneurship, rather than trying to attract business" (Boecklemann 1999: 367). The main change is the role of the state in the development process. Through publicly funded programs such as business incubators[4] and venture capital programs the state became a capitalist actor in the struggle for development (Schofer, Ramirez, & Meyer 2000).

The shift from first to second wave development strategies have been studied extensively over the past decade and a half. Much of the discourse can be attributed to the work of Political Scientist Peter Eisinger and his book *The Rise of the Entrepreneurial State: State and Local Development in the United States (1988).*

Eisinger documents the shift in the policy paradigm by observing change of relations between the state and private interests. The shift is not a decreased emphasis on economic development or growth, but a change in the approach. The second wave policy is characterized by aggressive entrepreneurial state action. Growth is realized in, "that state government can facilitate this process by assuming entrepreneurial functions in the terms of launching new enterprise, creating new technology and products, and identifying new markets for products" (Leicht & Jenkins 1994:259). Another novel creation in the second wave was the implementation of public/private economic development agencies whose purpose was to work to create development. With the narrowed focus of these

[4] A business incubator serves the function of building infrastructure for businesses to come and locate to the area. Many times these incubators can be associated with universities, which provide a symbiotic tool for labor and help fund research and development.

development agencies the philosophy began to shed some light on the changing relational environment aided by and emerging period of spatialization. Hebert Rubin states, "The philosophy of these practitioners revolves around working with companies and even to the point of working for the company" (Leicht & Jenkins 1994 and Rubin 1988:245).

When the state becomes an entrepreneurial actor it adheres to the same processes as the businesses that it searches for and hopes to retain. Although, the state does not have a final end of making a profit, it allows like-minded business and governmental actors to work in closer quarters to help both the business and state to develop economically. This scenario does not necessarily lead to a negative outcome; more is accomplished with cooperation than with conflict. The problem lies in the power relation between the actors. The policy domain is less likely to have a powerful group to speak for the vast majority of people affected by such policy. Most workers and citizens do not comprise the inner circle and therefore the idea of the government being biased towards the needs of business and private investment becomes more pervasive as the state as an entrepreneurial actor becomes more structured.

The third wave of policy implementation develops further the demand side development described as the entrepreneurial state but caters less to business interests. Boeckleman describes the third waves emphasis as, "Focused on developing human capital, promoting education, investing in distressed communities, encouraging cooperation between business and local governments and general 'capacity building' this approach signaled a retreat from direct economic management" (Boeckleman 1999:372). By focusing on infrastructure, education and community development the state in enabling local communities to take more control back from the businesses.

Instead of attempting to attract business the emphasis is to develop the area to make it more attractive to business. Individuals in the affected area benefit directly from this type of policy instead of leaving the development up to business and their disinvested interests in the community and, more broadly speaking, the state (Boeckleman 1999).

These three waves of economic development are a good means to help understand the different types of policies being discussed but the linear time element of 'waves' is a problematic assumption of economic development policy. A broad national generalization Boeckleman adheres to, does not adequately describe the regional differences involved in the creation and implementation of policy of this sort. Because of this, an emphasis on the long swing of spatialization is important and will help remedy the notion of a broad linear relationship for policy implementations. As briefly discussed earlier the geographical region plays a role in dictating the types of policies being implemented. Because of this I will highlight the main aspects of spatialization and adhere more to the classifications created by Kevin Leicht and Craig Jenkins in their article, *Three Strategies of State Economic Development: Entrepreneurial, Industrial Recruitment and Deregulation Policies* (1994).

The three categories all coincide with the waves discussed above but there is a difference in region and the policies overlap with various tenets of the waves. The previous few paragraphs outlined sufficiently what is meant by the *entrepreneurial approach*. The discussion above looked to categorize this perspective in the second wave, but many of the tenets can be seen as part of the second or third wave of development. The *industrial recruitment* strategy is a first wave policy but can have implications for both and second and third wave policy. The first wave revolves around the supply-side nature of attracting industry to the area, but this approach also utilizes enterprise zones and venture capital project to attract business. *Deregulation* is only a first wave category of policy. The main emphasis is to create a positive business climate by adjusting tax and various environmental regulations to make the area more of a pro-business climate (Leicht & Jenkins 1994).

The previous categories are the starting point for a broader understanding of economic development policies and how they are connected to larger discussion of this project. The outline will be expanded in later sections, but the express purpose is to introduce the theoretical relevance of looking at wave and categories of economic development policy in relation to other historical structures, namely *spatialization* and the long swing thesis.

The next chapter will continue the theoretical discussion by moving from historical context to a conceptual analysis that is important to how Missouri looks to compete in economic development. Interjecting notions of place, system bias and business climate emphasis the next chapter will add a layer of clarity for the scope of this project.

III. Theoretical Discussion: Analytic Concepts

The theoretical background of this study is embedded in a handful of enduring works in political sociology and political science. Many of the works being used to frame this analysis are over a decade old and in some cases two. The difficulty is fusing works which were written in a different context than the period they are being applied to. The works could not have accounted for some of the changes that have occurred over the past few decades. For example in the past two decades changes in communication and information technologies have made vast improvements to which the scope of change could not have been predicted by these theorists. Yet the applicability of the main ideas are not at all without relevant scope. Using contemporary extensions by other scholars while attempting to develop a unique scope from various other texts the theoretical base will highlight enduring points of contention and understanding while discussing a new spin on an old problem.

The expressed purpose of this second portion of the theoretical section is to outline concepts of various works that have relevance to this work. None of these theoretical works focus directly on economic development policy, but the works do highlight an environment and concepts that advance analysis concerning the aforementioned topic.

The work by Gordon et al (1982) creates an important historical understanding of how macro-level changes in work and organization have affected labor in the United States. The extension by Wallace and Brady extends the theory to include the most contemporary time period. Wallace and Brady also outline a global context which has shifted the pendulum in favor of capital. What both theoretical pieces seem to lack is context and application. The inclusion of another enduring text in political sociology, *Urban Fortunes: The Political Economy of Place (1987)* by Logan and Molotch, will help bridge the gap between the theoretical base and the ability to apply the theory to Missouri.

Place is an important topic throughout the discussion of Missouri's economic development approach. *Place* is defined as a concrete geographical location, which has a sense of physicality and a certain investment with meaning and value placed on the area (Gieryn 2000). From this definition the case study of Missouri will be able to use *place* as a setting for study, but also a unique location inside a larger context.

To extend the analysis further I will use some classical Marxian economic theory to interject value into *place*. This was accomplished aptly by Logan and Molotch but in a different context. Their analysis focused only on urban areas and the 'growth machines' which they associated with urban areas. This analysis will look to how the value of *place* is affected and effects economic development and various other related topics on the state level. With the addition of value, *place* becomes a true commodity. Place differs from land in that it is produced artificially to be sold. A geographical jurisdiction that invests money into infrastructure development, job training and various other types of business climate enhancements, is creating a *place*. Underlying *place* is the false commodities of land and labor that is often a main part of *place* (Polyani 1944). It is in these two false commodities that the exploitive nature of the era of spatialization can be seen. Yet this fiction does allocate land an advantage over the neoclassical definition of commodities. Logan and Molotch state, "A crucial initial difference is that *place* is indispensable; all human activity must occur somewhere. Individuals cannot do without place by substituting another product. They can, of course do with less *place* and less desirable *place*, but they cannot do without *place* altogether" (Logan & Molotch 1987 emphasis added). Therefore, *place* is necessary but specific *place* is becoming less and less necessary in an era of spatialization.

By applying a Marxist discussion of value and exchange (1857) to *place* we can extrapolate the market exchanges between place seekers (mobile capital) and place holders (state government). The relationship between the two is a symbiotic relationship but the equity of the exchange depends on the exchange environment. In an equal commodity exchange between 'place seekers' and 'place holders' there must be an intermediary form of exchange. In the exchange of commodities a monetary note serves to function as the equitable intermediary. Since place does not have a standardized currency the exchange must take place directly between 'place seekers' and 'place holders'.[5] The lack of intermediary means that the environment in which the transaction takes place dictates the exchange. For example in an era of spatialization, *place* as a commodity has less value because of the increased mobility of capital. On the other hand a proportional increase in the demand of the commodity that 'place seekers' holds is taking place at the same time. Since the commodity that the 'place seeker' holds is in much more demand than the commodity of *place*, the 'place holder's' relation to the exchange is one wrought with inequity. This base idea of exchange, value, and *place* will serve as a simple understanding that will help theorize how the environment of the spatialized era has created the need for economic development policy and how it helps

[5] Both groups have agencies that do this work for them so the transaction is not simply between capital and the state but groups that work directly on their behalf.

define the interactions between capital and the state (Marx 1865 as found in Kamenka 1983).

Logan and Molotch introduce a thesis revolving around urban growth and the antagonistic relationship between use and exchange value of *place*. They state, "The very boundaries of *place* as well as meaning of those boundaries, are a result of intersecting searches for use and exchange boundaries" (Logan & Molotch 1987:44). This reiteration serves to outline those boundaries which make the relationship between *place* and capital unequal because the group that has more control over dictating value in relationship to both use and exchange has an advantage in setting the terms of the interaction.

Since *place* has been determined as the setting for this analysis it is necessary to outline the interactions which the exchange of interests and economic development look to effect. The first assumption that needs to be made is about the socially constructed nature of *place*. Drawing from David Harvey's interpretation of Marx's work we can derive some base definitions. *Use value*s are the material manifestation of a commodity in relation to some human/organizational need or want (Harvey 1982). When discussing the use value of *place* both relevant actors in the process of economic development have various use values for *place*. Capital has a use value for place in relation to markets, labor, transportation, raw materials etc. The state has an interest in use value through the ability to facilitate growth, which in turn benefits workers and citizens[6]. These conceptions of use value are symbiotic in nature but in the era of spatialization the symbiosis is being altered in favor of capital.

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[6] An exception to this would be public places of recreation and conservation. State and natural forests, conservation areas, and various other protected land which is taken out of a market transaction for the some agreed upon benefit for all.

The problematic nature of *place* can be understood in relation to the idea of exchange value and the interests involved in economic development policy.   Economic development policy is meant to even out exchange values of *place* due to a deficiency in use value. For example tax abatements could offset a deficiency in raw materials giving a relocating or expanding company similar bottom line even though the area in which it moved to was not as beneficial in all of the relevant aspects. Assuming that location decisions are made on this level there seems to be a level of equity in the relationship between the government and business.

With the addition of *place* in the context of the long swing of spatialization, equity is diminished and the pendulum has swung in favor of private investment. In a spatialized era, *place* becomes less important to capitalists because capital has become more fluid. The need of capital's investment and job creation has not become less important for the state and workers, but in a globalized economy capital's reliance on *place* has proportionally become less important. Economic development policies are meant to create a beneficial exchange value for place with very little relative understanding of an equitable exchange value. And this dilemma exemplifies why *place* as a commodity is problematic.

Since *place* has become less important through technologic advances and a move towards flexible accumulation, capital has the ability to create the terms of interaction for the exchange of *place* for growth. If these terms are not met the increased mobility of capitals makes relocation or the threat of relocation more powerful. The problem for states is that their need for growth outweighs capital's reliance on a specific location. The lack of capital embeddedness creates the environment which has been outlined.

Business Climate

> Charles Lindblom emphasized the privileged position of business interest, not only in American economy but also in the American political arena. He described the economic mechanisms that businesses can use to react negatively to unwanted political decisions. These actions lead political leaders to see themselves as dependent on business decision-makers for the well being of the society as a whole (Ambrosius 1989:296)

The business climate is the most important concept in the discussion of economic development. The importance of this construct revolves around the current relation of public and private interests in the United States. Understanding what is involved in the creation of a positive business climate will shed light on the main thesis of power inequity created by certain forms of economic development policies.

The business climate of a state can be defined as, "A multidimensional investment milieu offered by local governments and local populations for the private sector in terms of taxes, unionization, wage structure, labor force skills, capital availability and policies affecting new business initiatives" (Kasarda & Irwin 1991: 738). The next step involves defining what makes a *positive* business climate. Incentives such as minimal taxes, a ready supply of labor, weak worker protections, lax environmental regulations and an ample amount of federal government contract spending, are all important aspects of a state's business climate (Boeckelman 1999 and Elkins, Bingham & Bowen 1996).

The political climate of the state and the composition of the governor's office and legislature both have also been shown to affect the business climate of a state. The very nature of politics creates an environment not conducive to sustained growth. There is a sense of urgency for political individuals who are elected every two to four years. Economic development progress is difficult to measure and next to useless to a politician if not able to be seen. Therefore, politicians favor ostentatious showcase projects that serve as an advertisement of progress while only providing a quick fix solution. This is contrary to the widely held view that economic development "…is not a quick fix type of business…you have to take the long view" (Rubin 1988: 247 and Mossberger 1999).

The very nature and ideology of the specific government also plays a role in creating a business climate. Legislatures that create policy, which adheres to neo-liberal policies of free-market, lassez-faire development, aid in making a positive political climate (Boeckleman 1999, Lobao & Hooks 2003, Lord & Price 1992, Eisinger 1995, and Elkins et. al. 1996). According to this definition all of the checks created to protect the worker, consumer, and government from exploitation by business, work in opposition to a state's ability to attract investment. In addition to the increased power of the private sector; uncertainty and competition between states has helped to diminish the power of individual states while continuing to tip the power scales towards the interest of business.

A second civil war is what the increased competition between the states has been likened to (Grant & Wallace 1994, Watson 1995, Leicht & Jenkins 1994, and Ellis & Rogers 2000). Ellis and Rogers (2000) describe the atmosphere of competition in the United States as a prisoner's dilemma. They contend that cooperation would create more power equity in the relations of private and public, but the instability created by various national trends makes cooperation too risky because there is too much to be achieved from gaining advantages over competitors. States are partaking in bidding wars, which are benefiting the interest of the private sector more than the public. The reasoning for the skewed results around possible benefits has to do with the uncertainty of growth created by these programs. "Unemployment, disinvestments and neighborhood decline have multiple and interdependent causes, not all of which may be easily addressed by tax incentives or regulatory relief" (Mossberger 1999:427 Ambrosius 1989). The complexity and uncertainty of the process is realized with various examples of the same development strategy working in one area (Gardner, Montjoy & Watson 2001) and failing in another (Lord & Price 1992). A good program seems to depend on the ends of the process, not the process itself. This puts the state in the precarious position of trial and error with increasing risk.

Critics of some forms of economic development policy say that employment and economic development at the state level is a zero-sum game. Therefore, the federal government should roll back some of the new federalism programs and help create stability in the various states by curbing the competitive nature of the search for development (Ellis & Rogers 2000). Advocates of economic development policies state that a the changing nature of commerce and globalization makes the zero-sum thesis unrealistic because the state entity is not only competition domestically but globally for investment and economic development (Bartnik 1991).

The complexity of the search for growth is one not lost on the individuals who actually head up the quasi-governmental agencies[7] that look to generate economic development in a state or local area. Rubin (1988) and Lord & Price (1992) address the topic of uncertainty as they interviewed local and state economic development practitioners. The results provide a general trend of uncertainty from the individuals most informed about the process. In the interviews with the practitioners in Flint Michigan, they quoted a 'blame the victim' notion around the area's inability to create an attractive business climate (Lord & Price 1992). Rubin states, "Many practitioners were

[7] I use the term quasi-governmental because of the means in which these governmental departments and agencies attract business. Discussions with leaders in the Department of Economic development highlight the use of private development councils, private investors etc to help shape policy.

frustrated because they and their fellow citizens had little if any, control over decisions that affect their local economy" (Rubin 237, 1988).

System Bias and the Inner Circle

To this point a temporal and spatial frameworks have been introduced. The final necessary ingredient is to introduce the actors relevant. The contention of this portion of the of the theory revolves around the power gained by capital in the era of spatialization along with various developments in capitalist organization that has created an environment where government becomes more responsive to the interests of capital than it does to labor.

Michael Useem (1984) attributes this development, and time period, to the creation of a new form of governance by politically minded corporations. The paradigm shift during the new federalism period brought about a new form of capitalistic organization. The environment created in the 1980's saw a shift from decentralized entrepreneur to a tightly organized capital class. More precisely there was a move from family capitalism to institutional capitalism. "In the era of institutional capitalism it is not only family or individual corporate interests that serve to define how political activity is organized and expressed but rather concerns much more class-wide the shared interest and needs of all large corporations taken together" (Useem 1984:5). This shift has created an alteration in how states do business.

Useem outlines an emergence of an institutional class of capitalist who emerged from the seeds of the previous era of family capitalism. He deemed this change and the new group forming the inner circle. He stated, "Both the emergence of the inner circle and the degree to which it has come to define the political interests of the entire business community are unforeseen consequences of a far-reaching transformation of the ways in which large corporations and the business communities are organized" (Useem 1984:9).

Economic development policy ties very closely into the class wide thesis of the inner circle. Economic development policy is important in solidifying benefit for the social structure of accumulation created by the transition to spatialization. Business organizations can benefit from the creation of policy in which they had little to no hand in making. Because the emphasis is based on a common goal of accumulation the inner-circle serves a purpose for all like-minded organizations.

Useem's work adds support to the vested interest of the business community, but a key idea which must be understood is why government would also go along with the business community? In an era of spatialization the emphasis and privilege of growth has increased the governmental bias of capital over labor and consumers. This bias is aptly discussed in Herbert Rubin's work entitled, *Shoot anything that flies; claim anything that falls: Conversations with economic development practitioners* (1988). Herbert Rubin also bucks the notion of conspiracy theory revolving around the elite class in the United States. He uses a similar notion to the inner circle called system bias to explain the pro-business climates of states. "According to the system bias model, business interests are favored because businesses especially those seeking to expand or relocate, provide demands that are clearly defined and bureaucratically obtained" (Rubin 1988:237). Therefore the cohesion seen between business interests is easier to understand and is more predictable than the more unorganized and diverse population of citizens. This is not to say that business interests do not clash with each other, but there are general trends of state economic, political, and social climates that serve to benefit all business.

If the system bias does exist it may simply be a cause of the time period which brought to the forefront the era of spatialization. The three main ideas introduced in this chapter revolve around the antagonistic relationship between labor and capital. From this point the topics introduced will be expanded with the use of original interviews and some secondary data.

At this point I will add clarity to the theoretical portion by introducing relevant literature gathered on economic development policy and related topics. Much of the work lends itself to the purpose of this thesis because it is broad and encompassing. Finding the niche in which Missouri functions and at what level these broad national and regional studies have glossed over the actual application of policy. Along with this the discussion of economic development policy effectiveness will be highlighted and a continuing emphasis on waves and categories of economic development policy will be expanded.

Once the literature and methodology is discussed the data analysis chapters will follow the order of analytic concepts discussed in this chapter. Chapter six will highlight the importance of *place* in relation to incentivising development. Chapter seven focuses on the actions of the 93rd legislative assembly and the expressed attempts to enhance the business climate of Missouri. Finally chapter eight will introduces system bias and how the long swing of spatialization has played a role in altering power relations inside the state.

IV. Literature Review

> The city becomes, in effect, a "growth machine." The growth ethic pervades virtually all aspects of local life, including the political system, the agenda for economic development, and even cultural organizations like baseball teams and museums…we argue that these growth machines are historical dating from frontier America, but take different forms and have different impacts depending upon time and context. Although growth is often portrayed as beneficial to all residents of all places, in reality the advantages and disadvantages of growth are unevenly distributed. (Logan & Molotch 1987:13)

Competition between states, attempting to influence private investment, is not a new phenomenon. Complaints over competition between governments can be dated back to 1874 and the influence of government attempting to persuade railroad companies to build in certain geographical jurisdictions (Snell 1998 and Dobbin 1994). The difference is the contemporary versions are changes in state government's autonomy. This relative autonomy is the response to a time period of regulation and increased federal government power.

The change has created a new environment in the U.S. and has led to new problems that were not prevalent or recognizable during previous periods of state politics. This literature review will look to clarify questions such as: How does this round of competition for investment differ? What has changed to make the competition unique? How does this study look to create a setting for the proposed case study of Missouri?

From the New Deal to New Federalism

From the implementation of the New Deal to the late 1960's the federal government was responsible for economic policy and development. During this time period the national government expanded to provide increased social and welfare programs (Mossberger 1999, Grant & Wallace 1994 and Useem 1984). In the early to mid-1970s the nation was faced with a fiscal crisis, which involved decreased profits and increased governmental regulations. This national development created a movement of conservative business owners and politicians that saw the decline of profits as a by-product of the aforementioned governmental expansions. The movement demanded a decrease in regulations and the size and scope of the federal government. The election of Ronald Reagan in 1980 and his New Federalism policies was the successful end product of the movement (Grant & Wallace, 1994).

Don S. Grant II and Michael Wallace stated, “This movement effectively exacerbated the national fiscal crisis of the 1970’s…and shifted much of the fiscal burden to the local states, which marked a fundamental alteration in the structure of intergovernmental relations between the national and local state” (Grant & Wallace 1994: 39). The complicated portion of this modification was the increased pressure placed on the state without equal matching funding and policy support. States found themselves inundated with new programs and responsibilities but a lack of direction of how to adjust to the changing environment. Also, the increased burden of deindustrialization left many states scrambling for new ways of generating revenue. This new burden led states to begin deficit spending and cutting social programs to try and stay afloat. Because of the novelty of the situation, states hit hardest by the changes needed to find a niche in the newly emerging economy (Bluestone & Harrison 1982, Grant & Wallace 1994, Eisinger & Gormley 1988, and Logan and Molotch 1987).

The previously mentioned situation attempts to put into perspective the circumstances individual states faced because of the altered emphasis and national culture created by the New Federalism policies. What has come from this created environment is increased competition between states, uncertainty about action, an increasingly spatialized labor pool, and power being shifted away from the state and labor. The winners and losers of this game will be better clarified after we explore the scope of the development policies which attempt to compensate for the changing national trends.

An important topic not discussed at length in the theoretical portion was the issue of business embeddedness. Spatialization puts an emphasis on the lack of embeddedness and mobility of large employers. A lack of embeddedness in a geographical area is partially where employers derive their power. States offer incentives anticipating that the investment is going to have a positive net gain. Tying directly into Logan and Molotoch's discussion of *place*, a lack of embeddedness diminishes both the use and exchange value of place and therefore benefits capital in a disproportionate manner. The less embedded a company is the less stake it has in the progress of the state and/or local community. Because of this lack of stake local business will be less likely to reinvest in the community and allow states the degree of positive net gains (Tolbert, Lyson, & Irwin 1998).

Unlike previous eras of competition between governments, the spatialized era is defined more by global competition. As Foreign Direct Investment (FDI) becomes more important in the competition between states, being pro-business and fostering a positive business climate will take on more importance. This is problematic because as Brady and Wallace state, "…higher levels of FDI are likely to diminish the *organizational capacity* of workers… [and] foreign affiliates prefer to locate in rural 'green areas' where union presence is weak and where employers can instill an anti-union culture" (Brady and Wallace 2000:74). As global investors become more prevalent in the U.S. the necessity for the state to mold itself to match the needs of the investors will diminish the power of the embedded laborers and consumers.

The lack of private sector embeddedness, increasing technological means of governance, global competition, and a changing economy are all aspects of the change being seen across the nation. The created environment has shifted the importance of economic development policies and in turn altered power relations inside the state. To get a better sense of how this is measured or clarified I would like to discuss, in more depth, concepts relevant to this discussion.

Conceptual Discussion

I would now like to turn to outlining what is being highlighted in this study. The main view is to explore different forms of state economic development policy and the possible benefits and drawbacks that exist. From that point I will then narrow the scope to a specific case study of Missouri in relation to its development policies.

Policy Domain

The few dictating the rules and regulations to the many is the nature of governing bodies in general. Since government does not exist inside a vacuum, influence is ushered in by various interests inside and outside the governing body's jurisdiction. The policy domain is a more specified idea of *place* and for the purpose of this analysis it is characterized in two ways. First, it is the geographical jurisdiction in which policies (state policies for this example) have legitimacy. Second, the policy domain is defined as a collective of various interests competing for scarce resources allocated by the governing body (Eisinger 1988). The policy domain will serve as the setting in which both inside and outside interests look to effectively influence the implementation of the regulations and rewards passed down from the government.

To help clarify power in the relationship of policy formation, I will explore the policy domain to create the setting in which the various interests and actors create and implement policy. Various organizations and/or agents pursue actions and results which attempt to lead to a positive outcome for the organization. Therefore, organizations and individuals with the same or similar situations will also benefit from the changes. Using the policy domain is not meant to simplify or trivialize the process of policy implementation but simply to provide a social topography in which it takes place. Peter Eisinger discusses the vast array of actors and interests involved in the creation of economic development policy. He states,

> At the center [of the creation of economic development policy] are political chief executives, governors and mayors…[yet]…Development professionals in both the private and public sectors—economic planners, state labor economists, industrial-site development specialists, corporate officers charged with government liaison, chambers of commerce officials and the like—are constant critical actors (Eisinger 1998).

The present analysis will shed some light on how the policy formation has become less pluralistic in an era of spatialization. Using economic development policies as an example of a newly emerging social structure of accumulation, I will show that although many of the actors play a role, some individuals and groups play a much more pervasive role in the creation of policy which is beneficial to their interests.

The next step is to help add understanding to the type of policies which will be important throughout the analysis. There have been some initial definitions but for a more thorough understanding a historical look is necessary. Answering what economic development policy is takes a multi-faceted temporal look at waves and various categories involved in legislating development. Peter Eisinger (1988) has done extensive work looking at development efforts at many levels of government. I will build off on his work. Eisinger states, "Economic development policy refers to those efforts by government to encourage new business investment in particular locales in the hopes of directly creating or retaining jobs, setting into motion the secondary employment multiplier, and enhancing and diversifying the tax base" (Eisinger 1988:4).

This analysis will use two different means of classifying differences in economic development policy approaches. The first is a temporal discussion of trends of economic development over the past twenty-five years. The second concerns regional differentiation of policies. Each approach helps delineate policy differences.

Regional variations

Deindustrialization and the transition to a service economy began in the early 1980s. But certain regions were hit especially hard. The Midwest and Northeast were dubbed the "rust belt" as industries prevalent to the area relocated overseas and/or to the south and southwest, which gained industries because of the better business climate and the untapped market potential of the undeveloped regions. Boeckleman discusses trends of development policies beginning in the late seventies but admits that in the south first wave development policy had existed since the 1930's[8] (Boeckleman 1999 and Leicht & Jenkins1994). The Midwest and Northeast states response to the fleeting capital was the creation of jobs by attracting other mobile capital (Bluestone & Harris 1982, Grant & Wallace 1994, and Kasarda & Irwin 1991). The northeast began by trying to emulate the some successful strategies of the southern states.

[8] These early economic development policies are similar to the approach discussed in first wave policies.

Since numerous books and articles discuss the importance of regional differences in economic development I will spend a moment discussing how New Federalism affected the Midwest and how development policies uniquely affect the area. I will focus on the reactions of Missouri and the surrounding states to nation deregulation and privatization. Since the Midwestern states are more reliant on durable goods, manufacturing and agriculture, they were hit especially hard by those trends. Also, over the past twenty-years Midwestern states have received less federal funding than any other region (Eisinger & Gormley 1988:9). These overarching principles of the Midwest are important in relation to Reagan's New Federalism policies and a state's business climate.

The recession of the 1980's hurt the Midwest disproportionately because of global competition and the type of industries most prevalent in the region. "Localities whose job bases are concentrated in cyclically sensitive industries, whose industries are subject to increased competition from abroad…or whose employment bases are dominated by mature slow-growth or no-growth industries…suffer disproportionately during recessions and typically do not fully recover during business cycle upswings" (Kasarda & Irwin 1991). Therefore, general trends of development and policies can be made nation wide, but it is also important to understand the regional differences.

The Effectiveness of Economic Development Policies

To this point the discussion has revolved around history and concepts involved with economic development policy. Shifting the focus I would like to expand on the discussion of the complexity and uncertainty about legislating development. There are some important questions that received clarification in the literature. Do economic development policies serve the function they are implemented to serve? Which policies work and which policies do not? Why are some policies more prevalent in certain areas of the country? Where is the future of economic development policy leading the United States? None of these questions has a single answer but this section will be dedicated to attempting to clarify possible answers.

The purpose of Leicht and Jenkins' study of three categorical strategies was not simply to classify but also to ascertain the actual importance of these policies and the effect that they have on economic growth in the state. Leicht and Jenkins found that all three of the strategies of development had relatively minuscule impacts on economic growth, but the three categories varied in the degree of positive outcome (Leicht and Jenkins 1994).

The *entrepreneurial strategy* emulated very closely the effect a private entrepreneur has on a population. It seems that this strategy did encourage the creation of new firms, but there was no trickle down effect that translated into economic benefits for workers and the state economy. The *industrial recruitment* strategy did serve the purpose of preventing business from declaring bankruptcy but had little to no effect on the total state product and manufacturing employment. Finally, *deregulation strategies* "created higher business failure rates without significantly altering other growth dimensions" (Leicht & Jenkins 265, 1994).

The previous brief synopsis of the benefits and downfalls of these programs raise the question if legislation can affect business decisions. Boeckleman states, "…business looks at the overall picture—therefore many times tax incentives are simply 'pleasant windfalls" (Boeckleman 1999:374).   Much of the literature on effectiveness states that economic development policies located on the sub-national level have less influence on a firm's investment decisions and location than economic variables such as characteristics of labor force, available markets, and other direct costs of production (Feiock 1991).

Economist Paul Trogen's article "Which Economic Development Policies Work: Determinants of State Per Captia Income" (1999), did just that and his findings support and rebuke previous findings. He found, "Policies designed to improve the overall business climate for all industry were positively related to growth in per capita personal income, but incentives that were designed to elicit specific responses from the market were negatively related to growth in state per capita income" (Trogen 1999). These findings support Eisinger's view of the entrepreneurial state to a degree and undercut the growth capabilities of first wave and *deregulation policies*. Trogen attributed the findings not to the political economy model but stated that the deregulation and first wave policies did not work because there was too much intervention in the market by the state. He turned Eisinger's discussion into a neo-liberal supporting contention of allowing the invisible hand of the free market to dictate development.

Trogen's findings are positive but problematic at the same time. Going back to the power relations, the policy domain, and the inner circle, Trogen's contentions do not hold up assuming the market is an egalitarian reformer. There is still an unrepresentative group in the policy domain and the purpose of these policies is in the end to benefit the state and citizens collectively. The state is still skewed towards business, and if the state continued to decrease intervention, the power inequity would likely increase. The previously mentioned system bias and cohesion of business interest (inner circle) create an unequal distribution of power, which would only serve to increase the inequity.

Because of this Trogen's findings seem to be supported but there is some confusion on his interpretation of the data.

Entrepreneurial policies of development are becoming more prevalent across the nation, but incentives and deregulation are still the most popular forms of economic development (Mossberger 1999). Throughout this review of the literature many contentions and broad views of region and policy could be contended by just that, the broad overview. What are absent from the literature are specific case studies of individual states. "The local state is a critical economic actor in the new social structure of accumulation of spatialization because, in an era of mobile capital, local states must actively intervene in the state economy to fine tune the conditions conducive to business profitability and growth" (Grant & Wallace 1994:38). Using the broad overview of national and regional trends a researcher could take the discussion out of academic inquiry and into practical recommendations and policy critique and prescription. Although, the scope could be narrowed even more to the local level, the state serves as compromise between specificity and ability to generalize.

The next step will be to develop a methodology to analyze the policy of a state, the immediate states surrounding and ascertain the positive and negative attributes of the business climate of the state (Missouri) and how this climate has affected the power relationships inside the state.

Conclusion

The use of economic development policies to entice business and enhance the favorable climate of a state is an important undertaking for all states. Discovering the right mix between the sticks and carrots is a process that varies so much with spatial and temporal constraints that it cannot be standardized to a procedure. It is a game of trial and error that has possible outcomes that could negatively alter the economy of an area or state. As the economy undertook the awkward transition from manufacturing to service, states were put in a situation where they needed to intervene, but the new economy left them with few ideas of how to intervene in a positive way.

Throughout this chapter broad national and regional trends have been discussed in relation to programs and steps states implement to attempt to compete in the emerging global marketplace. The idea of the quest for development being a zero-sum game, at the state-level, is both contested and supported in the literature. The new civil war over business investment does create a hostile environment in which the winners overwhelmingly are business interests. But I do not want to paint the picture of business and development as a negative attribute of the relations in the policy domain. I instead would like to avoid such debates create a model in which the relations of employees, employers and government are less antagonistic and more cooperative. The new environment of economic development should not be painted as an “us versus them” scenario, because in the us versus them situation there is always a winner and a loser. Without stepping into the overly idealistic notions, a new system is beginning to be seen in the third wave development policies. The new field of economic development should look to emphasize the interest of all and an emphasis on competitive redistribution looks to create a more egalitarian relationship inside the policy domain.

V. Methodology

This work will utilize a case study methodology of Missouri's business climate, economic development scope, and the relation of capital versus labor in the state. The vast majority of the analysis will be on the events of the 93rd legislative session of the Missouri General Assembly[9]. Use of secondary data and the retrospective discussion of some of the respondents will be used to both create a contextual history along will connecting the events and relationships to the larger national economic development literature as discussed in the third chapter.

Economic development has a dynamic set of interrelated variables which help differentiate between a positive and negative business climate. Every lawmaker in the General Assembly has a vested interest in the economic development climate of Missouri. Economic development can involve areas ranging from better schools and training opportunities to increased local control and incentives. Narrowing down a sample for this study was difficult because a convincing argument could be made that every representative lawmakers has her/his own view of what makes a good road for economic development. The most relevant sample that could have been drawn for this study is individuals that sit on committees that deal with topics directly related to economic development. Of the numerous committees three seemed more relevant to the main thesis of this study. The committees were chosen due to the topics involved, bills that were scheduled to be heard, and the individuals that sat on the committee.

[9] January 25, 2005 to May 13, 2005. There was a special session in September of 2005 but I did not utilize any data from this session.

The three committees were the House committee on *Job Creation and Economic Development*, and the Senate committees on *Small Business, Insurance and Industrial Relations* and *Local Government, Tourism and Economic Development.*

Data Collection

The data collection for the beginning portion of the project involved attending the weekly meetings of three committee hearings and taking field notes. In the meetings I was able to isolate lawmakers, policy, and other individuals involved in creating and/or supporting legislation. This portion gave insight into the process, which enhanced my ability to partake in the second portion of the project. The ability to draw from the discussions from the committee gave a legitimizing effect when it came time to interview the lawmakers. Having seen the interaction of the different lawmakers and the questions they asked witnesses, I was able to better tailor the interviews to the individual legislator.

Three months after I began participant observation I sent recruitment letters out to every member of the three committees. The letter included a brief introduction of the project and the role that they could play in adding their perspective and experiences. A week after the letters had been sent out I traveled to the Capitol and visited with the legislator's staff members. I set up interviews with some and was dismissed by other. After some diligent discussion I was able to set up 17 interviews with individuals in the three committees.

To supplement the discussion with the lawmakers I attempted to set up numerous interviews with individuals that worked with the Department of Economic Development (DED). I was able to interview five individuals from the department and they served to be more informative on the inner workings of the government and more specifically the executive branch.

The Sample

The sample for the interview portion of this project included 23 respondents out of 52 individuals which were sent recruitment letters. The vast majority (17) of the respondents were members of the General Assembly. Of the seventeen individuals interviewed eleven were from the House *Committee on Job Creations and Economic Development*. The remaining six Senators were split evenly between the two committees in the Senate. All but one individual in the sample of lawmakers was male. And the partisan split came down to 13 to 4 in favor of the Republican controlled House and Senate.

The length of the interviews with the lawmakers averaged between 25 and 30 minutes, with a range from 12 to 59 minutes. The difficulty in establishing longer interviews was two fold. First, the interviewing began in mid-April and the session ended in mid-May which made time a valuable commodity for the legislators. Second, the amount of knowledge many of the lawmakers had about anything other than the policies was limited, making the length of interviews adequate for what this project needed.

Five people from the Department of Economic Development (DED) were also interviewed. I interviewed two separate days with people associated with the DED. I met exclusively with Brian Grace, the Director of Policy for a 59 minute interview. From that point I specified my focus and he set up a group interview with the other four respondents. The next interview day was a group interview with Michael Mills, the

Deputy Director, Jodi Krantz of *Business Development and Trade*, Marty Romitti the head researcher for *Missouri Economic Research and Information Center (MERIC)*, and Sallie Hemenway of *Community Development*. This interview lasted 1 hour and 7 minutes.

Finally, I interviewed Sam Overfelt a lobbyist for the Missouri Retail Association. Mr. Overfelt was initially interviewed simply to ascertain an educated history of Missouri politics in the very beginning of this project. This interview lasted 55 minutes.

The first person data that I gathered will also be supplemented by a diverse array of secondary data. By using older sources of data it will be possible to create a fragmented understanding of the question of 'how we got here?' Understanding that the actions and policies created by the legislature are only the end product of a process a historical scope takes on a higher degree of importance. The process happens within a framework of policy paradigms, styles and regimes. To only view the actions of the 93rd session as work done by the lawmakers of this session would be incomplete. Hall and McGinty (1997) discuss the nuisances of the policy process as the transformation of intentions. The transformations are possible due to the existence of power, resources and constructed conventions[10]. To see the policy process as a transformation of intentions lends a more holistic view to the process but it also can be an important methodological tool for this analysis. Hall and McGinty (1997 & 2002) work in policy processes and the Meso-domain will aid in better outlining the policy domain and the role it plays in creating policy and approaches to economic development.

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[10] Convention as defined by Hall & McGinty "…taken for granted ways of understanding, communicating, and doing are hedges against contingency…conventions make cooperation and coordination simpler, quicker, and thereby more efficient because they dictate decisions, forms and actions" (Hall & McGinty 1997:442).

Economic development is multifaceted and the approach the state takes in does not exist in one committee, piece of legislation, or one department. To understand how Missouri approaches economic development the thoughts and perceptions of lawmakers in the 93rd session only gives a snapshot of economic development. Expanding the thoughts and perceptions inside a historically contingent setting will better solidify Missouri's position but it will place Missouri into the larger picture while not allowing for over generalization. But a study that utilizes the responses inside a contextual understanding of the policy processes and conventions unique to the Missouri legislature will yield a much more complete view. Hall and McGinty state, "…the multiple nuances of the transformation of intentions highlight social actors, under unpredictable and changing circumstances, with limited information and foresight, in dynamic interaction. Thus, viewing policy as a transformation of intentions encompasses an ambiguous, multifaceted, complex, interactive, and dynamic process" (Hall & McGinty 1997: 443). This quote highlight one of is the rationale behind the importance given to *place*. Hall and McGinty look at the transformation of intentions as a means to better explain the policy process. The application of their ideas can also be discussed in a larger context of creating a better business climate. This involves a much wider array of actors than a single piece of legislation, but the process of intention transformation is still applicable.

To quickly summarize the methodological scope of this project I want to emphasize that all of the secondary data and field notes are meant to be a complement to the main data source of first person interviews with individuals that have a pivotal role and stake in state sponsored economic development. The concerns, understandings and beliefs of the respondents interviewed for this project will better address the five areas of focus for this project.

To this point the discussion revolved around the ideas and broad abstracted sense of creating a project. Theory has been outlined, methods have been set, and relevant literature from the past few decades has been discussed in an attempt to create an understanding of state sponsored economic development in the U.S. The purpose of the case study methodology was to help bridge the gap between theory and application. Therefore, the data analysis will begin by creating the idea of Missouri as a *place*, then the context of the political process and historical development of both the region and the state of Missouri.

VI. Missouri as Place

To better understand how to characterized Missouri this analysis will be focused to the case study of Missouri and its construction of a positive economic development climate. This chapter will use two main data sources to create *place*. The first will be an analysis of the actual words of the selected legislators and bureaucrats. Second, I will utilize an independent group's study of Missouri's economic development approach published in 2005. Along with focusing on Missouri the Taimerica report also creates a necessary comparative outlook. Missouri's business climate, economic development incentives, and tax base are all relative to the states which border Missouri. Since the competition is a defining feature in business location incentives, Missouri's business climate cannot be seen as good or bad but instead as better or worse than other states. Missouri as a geographical location interjected with value can only be seen in relation to other states with similar geographical and economic circumstances. In this chapter I will discuss the importance of regional and domestic competition which will lead into a discussion of how competition plays a role in creating the business climate in Missouri.

The analysis will begin by creating Missouri as a *place* similar to the theoretical discussion of *place* created by Logan and Molotch. This chapter begins by broadly discussing Missouri and what makes the state’s approach to economic development unique. Then as we move deeper the conversation will change to describe the role of *place* in relation to the larger economic development climate of Missouri.

Place

The starting point will revolve around what Missouri’s business climate has to offer prospective investors. The easiest way to obtain this information is to see how

Missouri markets itself. In a glossy press packet the concerns and discussions of what is wrong with Missouri's business climate seem to be obsolete because of the plethora Missouri has to offer. Missouri's attributes are broken down into seven categories. Under each of the categories there are bullet points that support the contention of the main category. The press packet brings to the forefront Missouri's pro-business climate,[11] Taxes,[12] Incentives,[13] Infrastructure,[14] Workforce Talent,[15] and Quality of Life[16] (Business Development and Trade 2005). The next chapter will look more specifically at how these important ideas involving Missouri's business climate have been created recently through some influential policy and business climate alterations. For the current chapter we just want to provide a description of *place*.

The question of what Missouri has to offer in general to citizens and business was discussed and the responses will serve as the starting point to the discussion of Missouri

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[11] Broad Workers Compensation Reform passed in 2005
Broad Tort Reform legislation passed in 2005
One of seven states to enjoy a AAA bond rating
Ranked No. 11 by the Tax Foundation for business-friendly tax climate

[12] Seventh lowest corporate income tax
4.335 percent state sales/use tax rate – lower than 35 other states
Total exemption of manufacturer inventory from property tax
Exemption of sales tax on manufacturing machinery, and other exemptions.

[13] Enhanced enterprise zones, offering state tax credits and local property tax abatements
Rebuilding Communities tax credit program if location, relocation or expanding in a distressed community.
Quality Jobs training incentive programs available.

[14] Ten interstate highways, including I-70, I-35, I-55, I-29 and I-44
More than 5,000 miles of fiber optic cable
More than 1,000 miles of waterway via Mississippi and Missouri Rivers, 14 ports
114 publicly owned general aviation facilities and 25 with runways over 5,000 ft.

[15] No. 1 state for workers' quality of education and educational achievement – Business Facilities
Highly educated – over 84 percent high school graduates
57 two and four year colleges/universities, 10 professional/technical schools, and 158 proprietary schools.
Washington University, St. Louis, medical school ranked No. 3 in nation; university itself tied for No. 11 in nation—US News & World Report.

[16] 6th lowest cost of living in the U.S Index
Statewide Mean travel time to work: 23.3 minutes
Low total tax burden
48th lowest business tax burden per worker among 50 states
(Business Development and Trade 2005)

as a *place*. The geography of Missouri is the greatest selling point cited by many of the lawmakers. The location is best when selling Missouri's transportation abilities. The central location of the state and the major highways serve to enhance Missouri's business climate. “We are at the crossroads; we are at the hub of a lot of transportation modes. Barge traffic, railroad traffic, and the interstate system heavily converges here in Missouri” (Roorda 2005). Representative Flook (R) expanded on Roorda's (D) comments.

> Missouri has two major cities that have two sets of major connections both air and freight/highways. From St. Louis you have I-70 that runs from Kansas City to St. Louis throughout the country. In Kansas City you have highway 35 and I-29 connected north and south as far as the eye can see...Throw in on top of that we have the rail lines. We are for transportation services, a very good set up. (Flook 2005)

Missouri’s perceived stake in the emerging field of life sciences is another prideful assumption many respondents cited. Washington University along with the University of Missouri system is creating a niche for Missouri in a market that is emerging as a powerhouse in state economic development. This topic was brought up with much optimism about the future of this market. Later discussions with members of the DED shed more light on the possible implications of these advancements in both technology but also a possible emergence of a new cooperative which may yield a new form of social organization for these groups that may transcend the state boundaries.

The previous positive attributes of Missouri were the most widely cited but other attributes varied from strong education and workforce to solid industries such as agriculture, life sciences and manufacturing. There was a sense of agreement among many of the legislators on what makes Missouri a positive place but the negative aspects of Missouri's business climate involved a more antagonistic discourse.

A much more heated political debate took place in the 93rd session over what was wrong with Missouri and what the government could do to fix it. The era of spatialization can be better discussed by highlighting the steps being taken by the legislative and executive branches in an attempt to make Missouri a better place to live and do business.

The steps taken to remedy perceived problems with Missouri revolved very closely with the business climate. The uncompetitive nature of Missouri's business climate was cited by many of the respondents along with Governor Blunt's state of the state address. Increased competition is not unique to Missouri but certain types of competition are more unique. By looking at how competition, geography, and blurred boundaries create a relative setting, we can clarify Missouri's stake in competitive development.

Blurring the Boundaries and competition

Missouri as *place* is more than a geographical jurisdiction that exists between Illinois and Kansas. The state boundaries mark a specific area, but Missouri as a *place* does not have such rigid boundaries. This is a reason why Missouri is a unique case study for inter-state competition and economic development. The lack of rigid borders in areas on both the east and west sides of the state make competition, business incentives, and broader economic development policy a much more complicated discussion. The competitive implication revolves around the two large urban centers located in Missouri; St. Louis and Kansas City[17]. Both of these large urban areas overlap into the neighboring states of Kansas and Illinois.

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[17] To a lesser extent there is also a blurred line down in the Southwestern corner of the State with Joplin, but the smaller size makes it less relevant to the discussion.

The geographic reality, even removed from the era of spatialization leaves a blurred boundary of jurisdictional benefit and damage for all parties involved. When probed about the most intense domestic competition that Missouri faced the most prevalent response was Kansas and Illinois. The blurred boundaries between the two largest urban areas in Missouri make competitive development and spatialization powerful indicators for action.

The competition is especially intense on the western side of the state. Many discussions of economic development and competition gravitated towards the battle revolving around the Overland Park area of Johnson County on the western side of the Kansas/Missouri border. The border between Kansas and Missouri is simply a line on a map. When asked how much the competition between states affected his view of economic development policy, Representative Fred Kratky, the ranking Democrat on the House committee on job creation and economic development stated,

> Oh a tremendous amount. Kansas in particular, especially, because of the proximity of Kansas City Missouri with Kansas. Now I am from the St. Louis area and we have a natural boundary, we have a river. It is a lot more difficult for Illinois to compete because psychologically you have a border (Kratky 2005).

In reference to the border between Kansas and Missouri Representative Pearce (R) stated, “That Imaginary line makes a big difference” (Pearce 2005).

The competition has been incredibly intense on Kansas' side of the state because of the revenue generating power of Johnson County. This competition has hurt Missouri and created a challenging environment. Senator Koster (R) stated,

> Kansas has been so incredibly aggressive in economic development programs through their department of economic development...Missouri has not done a good job of catching up and it is a race that is of dubious value to begin with. The reason is it is a race to the bottom. Kansas '

> economic development programs are highly lucrative for their recipients and they are highly focused so individual recipients can get a great deal of money through very few programs. Missouri's economic development system...is not very deep in on program, we do not give a lot of money and we spread it out over way too many programs (Koster 2005).

A reason for Kansas' intense competition and focused approach is an issue of necessity for the state. Representative Flook stated, "I am not certain...I heard that 80-85% of all the revenue [for Kansas] is generated in the metro area of Kansas City" (Flook 2005). The vivid and sometime cut throat competition can be better highlighted in the discussion of the NASCAR® track built in Johnson County after Missouri did not meet all of the demands of the builders. Representative McGhee (R) discussed this deal and the affects felt by the state.

> Now that race track was offered to us first in Grandview in South Kansas City. And we thought that this was not going to happen, this is not going to work, and I suppose the people here before me chose 8-10 years back decided that this was not going to amount to much and is not going to be a big deal. We almost had it worked out, in my understanding, and then the last of the deal with the taxes, we just did not want to budge here in the state of Missouri, so they went across in the state of Kansas and got the deal that they wanted (Mcghee 2005).

Later discussions with Representative McGhee highlighted the lessons he believed were learned by this case. The lessons which were discussed revolved around not being innovative and also the dangers of ignoring the demands of business. The lessons create a larger context of system bias which I look to connect to the era of spatialization and an emphasis on competitive development.

The blurred boundaries are the first of many deviating attributes that adds to the creation of Missouri as a contextually unique *place*. The next deviating attribute ties directly into a discussion of what the economy looks like in Missouri. In a discussion with the director of MERIC, Marty Romitti highlighted how Missouri has the 5th most diversified economy in the nation. He stated,

> What that really means is that our economy is diverse like the national economy but what that also means is that national trends reverberate through out economy, so some states are highly dependent on certain industries. The nice thing about Missouri is we have a good mixture which can only hurt you when you are in a general recession because that means a general loss across all sectors (Romitti 2005).

At this point I probed Mr. Romitti to ascertain the importance of sub-national policies in affecting Missouri's business climate. Mr. Romitti stated that this tight connection with the national economy had a very important impact on Missouri's economic development outlook. The impact revolved around and supported the previous discussion about selling *place* and the importance of business mobility in the era of spatialization. Romitti articulately outlines the environment in this lengthy quote revolving around the diminishment of *place* and the changing era ushered in with spatialization.

> What has happened is that as industries go global and become less tied [and] more mobile. It has created more options so you are now going to be in this cycle of mobility…you basically have to pitch your area as a great place to live because the mobility allows that. So now there are opportunities for states like Missouri you actually have more influence over their own destiny in some respects because we can broadly appeal to any industry or company that we want to, but we have to appeal to something that captures their attention, like the merits of our place, merits of our policies. So I would not say that international is destiny, I think the mobility factor is this wild card that makes it important to have your economic development ducks in a row (Romitti 2005).

The "wild card" is the created environment in which the increased mobility of capital has altered the power relation between the state and private capital. Not only has competition taken on new importance but the use of public policy and marketing to sell the geographical jurisdiction has also taken on a new emphasis. Consequently, policy created to alter the business climate of a state becomes more important as mobility increases, specific *place* is diminished, and the process of incentives becomes more standardized and structured into normative business location decisions and public policy.

This is what the Department of Economic Development is looking to do. In a discussion with Brian Grace, the Policy Director of the DED, he stated that a main goal of this administration was to push forward and really market Missouri as a place to do business. When introducing the topic of how much sub-national state level policy can affect larger structural issues ranging from tax structure to geography Grace cited marketing Missouri as a good place to do business. So along with adjusting the business climate the DED and the new administration is putting a lot of emphasis on getting the word out on Missouri's attributes and changes which will make the notion of Missouri as *place* more marketable.

> B.G If we increase our marketing efforts and really highlight the attributes we have and really work on policy to fix what we believe is our flaws we can get to the level that we are trying to get to…one of the leaders of economic development in the country.
>
> T. So then it is about selling Missouri.
>
> B.G. Exactly (Grace 2005)

The previous sentiments, revolving around embeddedness and marketing and area, were by no means only in the DED. For example Representative John Bowman (D) discussed the importance of utilizing our agricultural assets by marketing them to other countries.

The existence of a department which serves the function of marketing or advertising Missouri adds support to the importance *place* holds in creating a positive business climate. The enhanced emphasis on the creation of *place* may not be a completely new idea but the increased importance given to selling that *place* is a much more contemporary notion and tied to the long swing of spatialization.

Before moving on to a discussion of the relevance of competition on economic development and the creation of a positive business climate I want to revisit an idea that maintains important implications, yet has not been addressed since chapter two. A social structure of accumulation is an institutional arrangement involving concepts of dominant systems of control, technology, and the organization of markets (Wallace and Brady 2001). In an era of spatialization these structures play an indirect role in shaping a states business climate and the increased importance of *place*. The contention of this study is not only to highlight how the era of spatialization has affect how states look to attract business, but also how the approach states are taking is a relatively new phenomena. The importance being placed on the creation of *place,* by lawmakers, economic development practitioners, investors, and other related individuals is qualitative support to the novelty of the new SSAs in the era of spatialization.

The public/private organization and shifting power relations discussed at length in the theoretical and literature review are important pieces of the new SSA. The dominant form of control, technocratic control, has allowed business to detach capital from a specific place and use mobility or the threat of mobility to pacify antagonists and reap benefit from new technology and social organization. The alteration has changed how states look to attract business and also how business looks to locate in states. Putting emphasis on competition and innovation has become a necessity for states to be successful in the economic development game.[18]

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[18] Economic Development as a game is a line of discourse that was pervasive in describing how the individuals involved saw competitive development.

Getting ahead of the competition is important in winning the economic development game. In reference to state sponsored incentive packages Representative Tim Flook stated “All the other states are doing it so by simply market forces if everyone is doing it, it is no longer attractive...you can go from state to state and get the same packages thrown at you. So what has gone on is that two or three states have taken the lead offering new types of programs” (Flook 2005). Flook's statement hints at the cooperative and uncertain nature of economic development. Competitive development describes the environment of economic development competition but imitation as opposed to innovation is also an important discussion.

The environment discussed at length by both law makers and the members of the Department of Economic Development express the importance of both innovation as well as imitation through “keeping up” with other states. Sallie Hemenway from the Community Development division of the Department of Economic Development outlined the situation that mirrors the discussion of policy imitation vs. innovation in an era of spatialization.

> Whether it is right or wrong or indifferent it is reality. We are competing against our neighbors and in that respect we are both a leader and a follower. We have to keep our competitive edge by creating tools that are somewhat similar to our neighboring states but we also have to stay ahead and be pro-active in the creation of tools that they do not have yet and it is a game played back an forth. I do not think I would characterize Missouri as one or the other I think I would characterize Missouri as both. It has been my experience in participating in national organizations like the council of state economic development agencies, we are often times the first one out of the blocks with the use of a particular type of incentive, but we are also not beyond not having to create the wheel when we do not have to (Hemenway 2005).

Ms. Hemenway's statement ties into Ellis and Roger's (2001) discussion of economic development as a prisoner's dilemma. The necessity of competition and innovation makes these location and retention incentives structurally embedded in the interaction between the state and business. The necessity of innovation has made incentives and various other economic development incentives as much of a factor as other demographic and market variables.

As with most games there are a few leaders which are seen as the exemplars of the field. Oklahoma, Kentucky and Michigan were highlighted as leaders in both the Taimerica report and also the discussion with lawmakers and key members of the DED. The two main pieces of legislation (Quality Jobs Act & Local Option Sales Tax) are derived very closely from the states that are seen as ahead of the game.

Innovation and creativity are important goals of Missouri's future of economic development policy. The importance placed on these goals creates a level privilege for growth and growth providers. A discussion about the leaders in economic development transitions nicely into the Taimerica report commissioned and utilized in the 93rd legislative session. The necessity of spending time dissecting the report is because of the report's ability to shape the direction policy is crafted. The report is important not only in what it says but also the legitimizing force it has had in the creating of policy and the direction of economic development in Missouri.

Taimerica Report: A contracted study of *place*

The Taimerica report was commissioned to gauge Missouri's position in the larger economic development context. Along with mapping out important national and regional trends, the Taimerica report brings another organization into the policy domain.

The Missouri Economic Development Council (MEDC) is a private organization created to mimic the direct economic development functions of the DED but on a decentralized micro-level throughout the state. The MEDC is a private cooperative of over 400 economic development practitioners all around the state. In 2004 the MEDC commissioned Taimerica, a consulting firm based out of Louisiana, to create an image of Missouri's approach to economic development and to compare it to other states. Along with the domestic competition the report also looked to create the larger context of the problems and solutions of the current environment of economic development. The report placed Missouri in a larger context and suggested paths of inquiry that have worked in other states (i.e. Oklahoma and Kentucky).

To this point, the analysis has outlined Missouri as *place* through the scope of the respondents of the study. I will now shift the focus to the fourth chapter in the Taimerica report entitled “What's wrong in Missouri.” The importance and power of the report will be discussed in future chapters through the focus of system bias and the field work done in the committee hearings, but for this chapter I look to simply use this influential report to paint a more complete picture of how Missouri creates *place* and how this creation is a by-product of the larger structures relevant in a spatialized environment.

The report was much more prescriptive than the legislator’s comments. The methods utilized in the report were qualitative in nature, and the sample was taken from three groups inside and outside of the state. Economic development groups, investors, and potential investors made up the respondents for this study. Many of the problems and recommended solutions for fixing the state's business climate are taken from the sample utilized for the survey.

The findings from the investors painted an interesting picture that seemed to contradict all of the discussions that had preceded it from both the report and the legislative interviews. When asked to comment on Missouri's business climate the Investors polled stated, the business climate was good. “Two-thirds say the state’s business climate is excellent or good and none rate it poorly...Missouri's strengths are its central location in the U.S. Market and its labor force skills and work ethic” (Taimerica Report 2005:28). Along with the previous two positive notes the report stated that Missouri's development climate is much more geared towards long term development projects and the embeddedness of capital. Compared to surrounding states, Missouri is very competitive with incentives but only in a long term ten year scope. In the first five years Missouri is weaker in meaningful incentives than any other surrounding state (Taimerica Report 2005).

The main idea to take from the positive views given by the investors is the changing nature of economic development in relations to an era of spatialization. Since the importance of an area's *place* has been diminished, Missouri's approach to attracting business is archaic because it is built around embeddedness and long term investment. Missouri's outdated economic development environment points to another shift. Since a state cannot count on long term investment from a newly located company, states that form their incentives around long-term investment and embeddedness must reevaluate the approach of economic development policy and business climate enhancements.

The future shift of Missouri's approach to economic development policy and state sponsored investment, like the competition between states, is a relative phenomenon in which the era of spatialization has an important role in changing Missouri's outlook.

There would be nothing objectively outdated about Missouri's approach if the Social Structures of Accumulation rewarded capital investment similar to the time when manufacturing was the main economic sector in the U.S. The use of economic development policy is a section of the larger political organization (SSA) that is implemented to make accumulation not only possible but privileged. Therefore, the political organization has to change with both the domestic and global environment. Since the era of spatialization introduces drastically new SSAs and dominant means of control the political organization has to also drastically change. First the mere existence of institutionalized public policy for private investment hints at a SSA in the political organization, but the shifting diminishment of capital embeddedness provides another layer of support for Wallace and Brady's contemporary long swing thesis. My contention is an emphasis on business climate enhancement along with diminished importance of *place* are parts of the larger national environment created by the SSAs, which are now being incorporated into the states' political organization.

Much more relevant information can be seen from looking at what the investors and development professions see as flaws in relation to Missouri's economic development environment. The practitioners and investors had a distinct scope of analysis but there were some points which they agreed with the investors. The investors cited a lack of meaningful incentive programs while the main problem the economic development practitioners had was the powerlessness of the DED. Both groups mirrored each other on a few key issues dealing with development incentives and other important issues. Many of the complaints revolve around the inefficient, cumbersome, complex nature of the incentives and understanding and complying with regulation. This ties closely into what many lawmakers cited as a good business climate: one that was simple without unnecessary regulations. When asked about how to make Missouri's business climate better Representative Edgar Emery (R) stated,

> Simplicity is another way of putting it. A good business climate is a simple business climate. A very simple model, you do what is right, you serve your customers and you succeed...And really that is what I would like…to clean up our business climate so people do not have to study or have a team of lawyers studying the statutes for days so they can decide what is it going to cost us to do business in Missouri. (Emery 2005)

Along with a cumbersome system of incentives the DED was cited as an inefficient and cumbersome agency. The department was cited for not being forward looking enough and does not do a good job of "…effectively monitor[ing] trends in global and international markets" (Taimerica Report 2005:30). Most all of the concerns dealt with the lack of sufficient funding for the department.

The final outlined discrepancy with Missouri's business climate is the lack of initial benefit for a company that located in Missouri. As stated earlier the benefit of many of Missouri's incentive programs come after the company has been located in the state from five to ten years. Before 2002-03 and the passing of an urban renewal program (MODESA) based on future revenues the main economic development approach of Missouri revolved around tax credits which mostly benefit companies that built facilities and owned large quantities of taxable capital in Missouri. The new outlook of the 93rd session, the new governor, and DED all point to a departure from this approach. In this sense Missouri confirms the trends discussed in chapter three about the waves of economic development policy.

The connection between Missouri's approach to economic development policy and the national trends discussed previously places Missouri right in the third wave of development policy with an emphasis on entrepreneurial state tendencies. This connection will be solidified when the policies and approaches are discussed more thoroughly in the next chapter but Missouri's approach is changing to more business climate enhancements and public/private cooperatives. Bockelman's definition of third wave policies are policies which are “Focused on developing human capital, promoting education, investing in distressed communities, encouraging cooperation between business and local governments and general ‘capacity building’ this approach signaled a retreat from direct economic management” (Bockelman 1999:372). This definition does a good job of describing Missouri's approach but there is more emphasis placed on working with the private sector (Second Wave). This trend is not unique to Missouri but it is a part of the third wave policies that is not emphasized enough to make the wave truly reflect Missouri's approach. These topics have been introduced without out much supporting evidence but this is a topical problem not an evidence problem. Since the purpose of this section is descriptive, the later sections will introduce how, litigation reform, The Quality Jobs Act, and the Local Option Sales tax all conform and deviate from the national trends.

The main structural changes outlined in the Taimerica report include the economic shift from a manufacturing economy to service and knowledge based economy, an increased emphasis on *place* through quality of life, E-commerce, and the global economy. The main emphasis of the report was to outline what companies were looking for from a state. The report states, “Most companies expect incentives. They have become a standard component of the evaluation of project locations. Incentives have two purposes: 1). They increase a company's return on investment in an intensely competitive market place; and 2). They demonstrate that the community values jobs and investment" (Taimerica Report 2005:12).

The first purpose is fairly standard and skews the discussion away from the effectiveness of the incentives because they have become standardized in the discussion of location decisions. The discussion then becomes focused on *how* the state should approach economic development incentives instead of *should* the state approach location and retention incentives. Therefore, the business climate of a state is contingent on the cost of doing business. In the competitive environment between states the incentives are simply a necessary negotiation tool.

The second purpose casts a new view on economic development policies by altering previous understanding of embeddedness. The company needs the commitment from the state as opposed to the state looking for the commitment from the company. This is an important idea in the related to the era of spatialization that pervades much of this analysis. The value of community sheds light on the privileged nature growth and the providers of growth have in setting the terms of the interactions. The second purpose has been reiterated by lawmakers. Rep. Kratky state, "In the world we live in you cannot get a company to the state without incentives" (Kratky 2005). This sentiment was placed in a larger context when Representative Darrell Pollock (R) stated,

> It used to be that cities could sell themselves and say look this is what we have to offer now you make the decision. Now it has been kind of reversed. The businesses are now kind of calling the shots. Saying we want infrastructure we want job training and can you provide those things? They drop you out on whether you can provide what they are asking for (Pollock 2005).

The report has served as a key tool of the key legislators, DED, and the MEDC. It has served as the starting point for one piece of legislation passed in the 93rd legislative session entitled the Quality Jobs Act. The Act was much larger than one idea but it represented the main victory for the DED.

In this chapter I created Missouri as *place* in relation to state sponsored investment and development. This analysis has used geography, policy, taxes, and the business climate to yield a better view of Missouri as a specific *place*. In a broad sense this chapter has outlined how competition and the various groups inside the policy domain have had a role in shaping how Missouri has responded to changes in the larger environment of state sponsored investment and incentives. Finally, the role of the Taimerica report, as introduced in this chapter, will be a topic that will be discussed throughout subsequent chapters as the spatialized environment is analyzed more in relation to the discussion of system bias and better understandings of *place.*

This chapter looked to create Missouri by using the discussions and secondary data gathered in relation to economic development and investment. Taking competition and incentives a step further I will isolate the case study in relation to the actions of the 93rd legislative session. This was an integral time for Missouri because of the political shift to a cohesive Republican majority in both the House and the Senate along with a newly elected Republican Governor. The next chapter will shed some light on the organizational structure of the Department of Economic Development along with the important actors from the relevant committees. This organizational structure will better outline the concepts of policy domain and system bias while continuing to enhance the concepts discussed in this chapter. To achieve this end I will utilize the field notes, interviews, and secondary sources to paint a picture of a time of uncertainty masked by a lack of disputation. The discussion revolves around the necessity of business climate enhancements but there is little discussion questioning the process.

VII. Business Climate and the 93rd Session

The scope of this chapter will narrow to the actions of the Missouri's 93rd General Assembly. The creation of *place* previously discussed will be interjected into the case study of the 93rd session. The Quality Jobs Act, the Local Option Sales tax, litigation reform, and various other bills will be the main focus. The importance of the focus is not necessarily the specific bills which became law, but he processes, the legitimating tools, and the context in which they were passed. All of these bills were instrumental in Missouri's attempt to enhance the state's business climate. The main ideas in this chapter revolve around the organization of the policy domain for economic development in Missouri and how *place* and competition combine to help form action.

The bulk of the data that will be used for this chapter will be the first person accounts including field notes and interviews. Unlike last chapter these sources will be discussed in relation to various other secondary sources varying from newspaper accounts, speeches, official reports, and the actual passed legislation. The supporting data will be important in providing a process and context which so often are not heard through official legislation, which many times is the only artifact of the legislative process.

Policy Domain and Context

The current analysis will focus on how the policy domain and policy context play a role in business climate enhancement. The previous chapter discussed the policy domain in an abbreviated way, but this chapter will look to outline the policy domain and make use of the concepts to make more sense out of the narrowed focus of the 93rd legislative session.

The policy domain as defined by Peter Eisinger is both a certain geographic location (similar to the notion of *place* advanced to this point) and also various interests inside and outside the state (Eisinger 1988). The various interest look to influence the process and context in which policy is created. Up until this point we have focused on how *place* affects economic development, but now I will focus on how various interests use the policy domain to effect change.

Drawing from the conceptual perspective of Hall and McGinty's work "Social Organization across Space and Time: The Policy Process, Mesodomain Analysis, and Breadth of Perspective" (2002) a better understanding of how the steps taken in the 93rd session tie into larger structural contexts of both state and nation government.

Hall and McGinty's work creates a conceptual base for the second tenet of Missouri's policy domain. The three relevant concepts used by Hall and McGinty are the *policy regime* (Benson and Martindill 1998 as cited in Hall & McGinty 2002), *policy paradigm* (Hall 1992 as cited in Hall & McGinty 2002), and *policy style* (Howlett and Ramesh 1995 as cited in Hall & McGinty 2002). These three terms are important in understanding policy and also the larger issues which are important to defining the problems, questions, approaches, and solutions.

The *policy regime* is defined as "...a pattern of policymaking that persists over time and rests upon a relatively stable set of power relations within a particular arena" (Hall & McGinty 2002: 311). The *policy paradigm* "is a relatively coherent, overarching set of ideas that cover a) the perceptions and definitions of problems or puzzles policy makers see, b) the broad goals (intentions) to be achieved through policies, and c) the policy instruments used to attain the goals" (Hall & McGinty 2002:311). Finally the *policy style* refers to the practical aspects of constructing policy, how it is constructed through methods and forms that become institutional conventions and practices.

The policy domain focused on business climate enhancements is diverse. The blurred boundaries of interests highlight how pervasive this topic is in state government. Instead of highlighting the specific policy domain in relation to economic development a brief discussion of the previous concepts will highlight the complexity and structure of Missouri's policy domain in relation to economic development and growth issues.

The *policy regime* is an important concept when discussing any issue revolving around economic development and growth inside a governmental jurisdiction. The pro-growth mentality, as discussed by Logan and Molotch (1987), is an idea that permeates both legislative and party lines. This stable set of power relations has been solidified further because of the increased need and emphasis placed on growth and growth providers. The context outlined in the literature review has painted a picture of a shifting economy, global competition, and the increased mobility of capital. In short, the spatialized era has placed added pressures on government on the state and local level. All of these broad topics give growth an illusive and coveted position to both state and local governments. The competition over private investment in a spatialized era is the end product of a process that has made the practice and necessity of economic development policies standardized in the interaction between public and private entities. The current *policy regime* does not question growth in most cases; instead this regime's function is to structure the “how” instead of the “why” for growth and economic development policies. Senator John Loudon (R) discussed his perceptions, but also how the structural embeddedness of the *policy regime* in Missouri and nationwide shapes action. He states,

> I tell you in an ideal world there would be a world wide ban on government incentives. And businesses would compete state to state on that competitive environment. Established based on the work force, but when we are literally put in a bidding war...Where I went to school if you wanted to analyze and idea you extrapolate it to its logical extreme. And the logical extreme of this is a disaster. The logical extreme of this is that every business person does not focus on profit and cutting costs but they focus on how much they can milk out of the government...You get to a certain level and the you figure out how you can get money out of the government and that makes up your profit. (He begins to chuckle)…it is an unsustainable situation. And I think to not recognize that is to have ones head shoved firmly in a hole in the ground (Loudon 2005).

The current *policy paradigm* is another reason in which Missouri makes such a great case study. The paradigm is in flux because of a change from a competitive government to a cooperative government. In 2004 the final piece of the puzzle was put into place when the now Republican Governor Matt Blunt defeated State Auditor Claire McCaskill (D) for Missouri's executive position. The shift to a Republican controlled legislature and executive branch has resulted and in more cooperation and has made change less contested. A more pro-business agenda is something that has been in the works but could not be successfully implemented until all the pieces were put into place. Consequently, for the change to be realized to any degree, we must look at the context in which the time changed. Senator John Griesheimer (R) the chair of the Senate committee on *Economic Development, Tourism, and Local Government* outlined the problems with the current *policy paradigm*.

> ...We have been very very uncompetitive compared to other states. In fact compared to other states we have languished at the bottom regarding attracting other industries to the state...competitively we are not in the

> game, we are looking to get back into the game, we were a few years ago but we have lost our edge. (Griesheimer 2005)

As the previous quote outlines the problems facing Missouri point to the State's uncompetitive nature in relation to business incentives and industry attraction. This quote was chosen because it best articulates the problems cited by many lawmakers. The second portion of the *policy paradigm* is how the general assembly can fix the problem. This introduces the policy which will be discussed in this analysis. But since this is just an abbreviated look at the policy domain a quote by vice chair Representative David Pearce (R) will serve as a summary to both Governor Blunt's stance and the direction of the legislature in looking to remedy the problem.

> The way to provide jobs is to have business that wants to stay here. So a lot of times, primarily the Democrats have attacked us for being pro-business…well who provides the jobs? Where do people get jobs they get them from employers and mainly from small businesses so we need to provide as much incentive for small business to stay in Missouri as we can (Pearce 2005).

Missouri needs to become more pro-business to help remedy the problem of lagging behind other states in relation to the business investment and relocation. The final means of discussing how the *policy paradigm* will achieve the end discussed previously is by litigation reform, the Quality Jobs Act, and the Local Option Sales Tax. These actions of the general assembly are going to be the main emphasis of the rest of this chapter.

Finally, the *policy style* will be discussed as field notes and secondary sources are utilized to reconstruct the committee hearings. The structure of the interactions inside the committee will shed some light to how power is distributed in the policy process. Through the use of these three concepts the policy domain has been introduced for the case study to follow. I want to begin with a main topic of the 93rd session as seen by many lawmakers which were interviewed for the project.

Balance and the 93rd Session

Striking a power and privilege balance between business, labor and consumer's interests was a popular topic throughout interviews with lawmakers. Where the balance rests and how to obtain the balance were contested but in the era of spatialization the discussion was fairly homogeneous among partisan and legislative body lines. Before advancing this topic further a quote by Representative David Pearce (R) the Vice Chair of House committee on *Job Creation and Economic Development* outlined the situation and both sides of the argument. He stated,

> [Striking a balance] is the toughest challenge we ever face, to bring into our state chauffeurs enough money to provide the needed programs that we have...without having job killing taxes that employers are just going to say 'this is ridiculous I can just go to Texas, California, or Kansas to do business and say I don't have to stay in the State of Missouri.' So that is the delicate balance. On the other hand if you cut taxes too much you cannot support your budget and you can erode your social climate and businesses can leave because of that too. So it is a very delicate balance (Pearce 2005).

Discovering the balance was a main purpose of the 93rd session. Beginning with the state of the state address the newly elected Governor, Matt Blunt, outlined the mission of the upcoming session. The focus on economic development and business climate enhancement were pervasive on his proposed legislative agenda and the direction he wanted to lead Missouri. Blunt outlined broad notions which included an emphasis on efficiency, “We have typewriter government in an Internet age”, Increasing Missouri's stake in relation to competitor states, “My administration will focus on reversing the course and making Missouri a national leader and model for other states”, and enhancing the business climate of the state, “To create a greater opportunity for all Missourians we must improve the entrepreneurial climate of the state” (Blunt 2005).

The main areas outlined in Blunt’s agenda coincided with sweeping changes to the litigation environment, an increase in public education funding, a decrease in spending on state Medicaid, and overall an emphasis on introducing efficiency into the way the state of Missouri operates. All of the issues discussed tie into the business climate of Missouri, but the broad nature of the reforms introduces how pervasive the goal of economic development can be. At this point I want to move past a conceptual discussion and focus on the relevant events that shaped the actions of the committees which were observed.

The discussion of the 93rd general assembly is an overly broad and daunting label which is well out of the scope of this analysis. To make the load more manageable the relevant discussions of the 93rd session, economic development and attempts to enhance Missouri's business climate will be constrained in a certain setting and around specific legislation. The setting will be the three relevant committees in which field notes were taken. The actions of these committees will give a better understanding of how a few bills were advanced to the floor and eventually passed and signed into law. All of the actions and activity of these committees gave important insights in how the environment of spatialization and the diverse policy domain played a role in how Missouri looks to enhance the state's business climate.

The first House committee on *Job Creation and Economic Development* meeting laid the groundwork of how that specific committee would run. The chairman from Joplin, Representative Ron Richard (R) moved the discussion away from party lines and create a committee that had bi-partisan support for creativity and outside the box thinking about how Missouri could compete with neighboring states in relationship to economic development. The Vice Chair Rep. Pearce summarized Richard's no-nonsense approach, “So you know Rep Richard’s stance, I don’t care about Republican or Democrat if it’s about saving jobs, we want it” (Pearce 2005).

Richard was widely discussed as the individual in the House with the most expertise and know-how when it came to economic development. The legitimacy of the bi-partisan nature of this committee was supported a symbolic gesture by Richard and the voting record of the committee.

The committee hearing Wednesday March 2, 2005 brought the symbolic gesture of bi-partisanship in which Rep. Richard allowed the ranking Democrat, Representative Fred Kratky, to serve as the chairman over the committee. The symbolic gesture takes on more importance when it is viewed in relation to the rigid *policy style* of the committee hearings. The hearings were filled rituals and ceremonies which structure all of the interactions of official government business. This was my initial reaction when I observed the committee hearings. In the field notes on February 2, 2005 I commented, “...The proceedings were formal. Each Representative had to gain permission from Representative Ron Richard to ask the witness a question. Not only ask permission but also state a reason why they wanted to inquire” (field notes 2/9/05).

Richard’s gesture was a topic of conversation with Brian Grace the Director of Policy for the Department of Economic Development. He discussed the scale of Richard's action when he stated,

> And if you sat in his committee the one thing that you noticed was bipartisanship. Don’t get me wrong the guy is Republican he is from the

> most Republican part of the state and he is proud of that, when he views economic development issues he does not see the party line he just sees the issue. He tries to structure his committee like that. He let Fred Kratky the ranking Democrat in the committee chair the committee. I am not sure if you were there for that but that does not happen in the Capitol. That was a pretty big scene (Grace 2005).

In addition, the executive session held in the committee was never split along party lines and for the most part the vote was unanimous. The reasons for the cooperation is not necessarily only associated with a cohesive bi-partisan nature of the committee. A portion of the lack of antagonistic relations can be associated with the individual respect and trust in Representative Richard's judgment. The respect and trust was demonstrated through various mention of Richard as a leading force along with the House Committee's actions on April 4, 2005. In rush to get the new version of the Quality Jobs Act passed through the committee, Rep. Richard brought the bill to the Committee without the members having read through it. The newly amended bill was the Quality Jobs Act with the addition of the Local Option Sales Tax. Representative Yaphette El-Amin (D) was the only lawmaker to raise a concern but the concern was overshadowed by Richard's explanation that the bill was simply the previous Quality Jobs bill (which had already passed) with the addition of the Local Option Sales Tax (which had already passed independently) . The newly amended bill went unread by the committee and was passed on the trust and word of the Chairman. This was a discussion that pervaded the interview with Rep. Richard. He appreciated and sought to wisely utilize and not diminish the trust that the committee and the House had entrusted him with. (Field notes 4/05/05).

Past an individual explanation for the cooperation the larger environment in which these decisions are being made may introduce more clarity to the topic. My contention is the larger context of pro-growth and emphasis on competitive development serves to unite lawmakers around the common goal highlighted by the economic development policies. Economic development policies are tied so closely to growth that partisan lines do not play as big of a role. The broader topic of business climate enhancement is not as tightly connected because this topic can revolve around more intensely partisan issues such as business regulation and taxes. Therefore, growth and job creation is not necessarily as directly routed through all business climate enhancements.

In the previous chapter the Taimerica report was introduced as an important tool for the advancement of economic development policy. All the House and Senate Committees I observed took a large portion of a hearing to discuss the findings of the report (Senate 2/16/05, House 2/23/05). Ronald Ryan, a representative of the Missouri Economic Development Council (MEDC), presented the finding of the study to both the House and Senate committees. In addition to the summary the report was brought up on numerous occasions when discussions revolving round the Local Option Sales Tax and the Quality Jobs Act were discussed. The Taimerica report served more than a useful guide in these committees it served the purpose of a reoccurring legitimation tool. In the February 16, 2005 hearing of the Senate committee on *Economic Development, Tourism, and Local Government* Senator Koster asked what the recommendations of the report would do for Missouri in relation to the competitive environment between states. Mr. Ryan answered that the recommendations are meant to place Missouri ahead of other states like Kansas and Illinois (field notes 2/16/05). This statement better highlights the privileged nature of the report and the recommendations in the report. They will serve to create policy changes and alteration because of the legitimacy of the report.

March 30, 2005 was the first legislative hearing in which the Quality Jobs Act legislation was specifically discussed in the Senate Committee on *Economic Development Local Government and Tourism.* The legislation was modeled after the Quality Jobs program which has seen success in Oklahoma and Kentucky. The sponsor of the bill highlighted another influential legislator, Representative John Loudon (R). Representative Loudon was a person of interest very early in the session because he chaired the *Small Business, Insurance and Industrial Relations* committee and he was the main sponsor on a few key bills. Along with championing the Quality Jobs Act he was the sponsor of the SB 1 which dealt with the main goal of the session Tort Reform. In the beginning of the session I saw him as the mouthpiece of the executive branch because of his association with such important and influential bills.

The discussion of the Quality Jobs Bill was not without private sector application. In both the Senate and House committee, a representative from Express Scripts® was present and testified conditional support for the bill as long as it introduced incentives for retention along with job creation. Before moving on an explanation of the Quality Jobs Act I will outline the basic tenets that make the bill so influential to Missouri's attempts to enhance their attempts at business attraction and retention. The following chart and sections will introduce the context of the newly emerging paradigm for economic development in Missouri.

Table 2. Summary of Economic Development Programs discussed in the 93rd session.

Program	Brief Description	How it works	Corresponding Wave of Economic Development
Missouri Downtown Economic Stimulus Act	The purpose is to facilitate the redevelopment of downtown areas and the creation of jobs by providing essential public infrastructure.	A portion of the new state and local taxes created by the project can be diverted to fund eligible public infrastructure and related costs for a term of up to 25 years	This program has a combination of second and third wave strategies. The expressed purpose is infrastructure improvement (3rd wave) but the funding makes the State and Private sector partners in the outcome. (2nd wave)
Quality Jobs Act	The purpose it to facilitate new quality jobs by targeted business projects.	A company that relocates to create a certain amount of jobs or an existing company creates a certain amount of jobs the state allows the company to retain the state payroll tax on the jobs created.	This program is a combination of first and second waves. The emphasis on attracting new business or expansion of current business is indicative of first wave policies. The condition acquisition of the benefits also allows for both public and private to have equity in interest.
Local Option Sales Tax	The purpose is to allow local municipalities to create a fund to attract investment.	The local municipality implements a sales tax that will be used specifically for the purposes of economic development and infrastructure enhancement.	Because this program allows municipalities to create a fund for the purpose of economic development the application could take the form of any of the three waves
Tort Reform	The purpose of this legislation is to allow business risk to be better predicted.	This program makes sweeping litigation reform across every other type of case including insurance.	This program is difficult to place because it does not directly look to entice economic development. The business climate enhancement would place it in between the second and third wave.
Tax Increment Financing (originally passed in 1982)	The purpose is to stimulate redevelopment of a project or a designated redevelopment that would otherwise not occur.	Redirects an approved portion of certain local taxes caused by the project to reduce project costs	This program is best described by the second wave because the partnership between public and private is the defining feature of the program.

Source: The information in this chart was gathered from literature from the DED, discussions with legislators and official reports.

Quality Jobs Act 2005

The Quality Jobs Act was a new piece of legislation born directly from the Taimerica report. Yet the ideas encompassed in the main legislation address a larger trend being seen throughout the nation in response to the era of spatialization. The relevant trend ties into the discussion in the previous chapter which revolved around embeddedness and economic development policy.

The specific guidelines for this bill are not directly relevant to the discussion so a broad overview will suffice in explaining why the Quality Jobs Act is one piece of legislation that is indicative of a new trend[19] in economic development. The goal of the program is to entice new or existing business to create new jobs. If the company meets the requirements for the program[20] they receive a portion of the 6% state withholding tax on employee's wages for five years after they have created and retained the jobs.

The benefit and requirement are sectioned off into three different types of industries or more specifically impacts on Missouri. The first project is the *small and expanding business* category. The company's size has little to do with the benefit because the category's benefit is based on jobs created. This category is defined as "A qualified company that, within two years of the date of the proposal creates a minimum of twenty new jobs if the project facility is located in a rural area or a minimum of forty new jobs if the project facility is not located in a rural area and creates fewer than one hundred new jobs regardless of the location of the project facility" (SB 343 45; 135.535 Sec 28). The benefit for this category is the ability to retain 100% of the withholding taxes for the new jobs for either three or five years depending on the amount the job pays the employee.

[19] Discussion with members of the DED refuted the point that this is indicative of a new trend. They saw the legislation as simply another tool in Missouri's economic development tool chest. As this chapter continues I will look to add support to my contention that this is a new trend and it has larger structural origins that cited by the members of the DED I talked to.

[20] It is worth mentioning the requirements because it will explain the widespread support this program received. The jobs created must pay above average county wage. For Boone county the jobs created have to be above $30,758 for the job to qualify for the benefit. Along with above average wage the company must provide at least 50% coverage for health insurance. And finally the number of jobs that need to be created depends on which type of industry (Small business, Technology, High Impact)

The second category deals with companies that are involved in NAICS classified *technology industries*. The benefit for jobs created in this field is much more lucrative for companies that employ highly skilled and highly paid individuals because the state will give back 5% of the total payroll of the new jobs created and the state offers an "Average wage bonus" for companies whose average wage for newly created jobs is 140% of county average.

The third category is meant to attract *high impact projects* that create more than 100 new jobs. The benefit for this category is 3% of the payroll of the new jobs each year for five years. Similar to the previous category the company can qualify for the "Average Wage Bonus" and can qualify for the "Local Incentive Bonus" which benefits the company for the higher percentage of local incentives used and created with the taxes collected by the local area. This section of the bill ties together the Quality Jobs Act with the Local Option Sales Tax[21]. (SB 343 & Business Development and Trade 2005)

The previous few paragraphs outline the specifics of the newly signed law but the implications of the policy need more clarification. The Quality Jobs Act served to remedy the two main cited problems with Missouri's economic development environment as reported in the Taimerica Report. The first concern was the programs and benefits are confusing and not concentrated enough. This bill was a clear and concise program that did not have confusing claw back clauses because the claw back is built into the program. The program makes the benefit easier to understand because a standardized criterion has been created for the categories (wages and area) and benefit (withholding taxes). There are no surprise clauses because the benefits do not need to be qualified because the company does not see the benefit until the job has been created.

[21] Appendix A will have the relevant portions of the bill which has just been summarized.

The second concern about Missouri's approach was that it was too based on capital tax credits. The provisions in the bill addressed these concerns and also continued shaping Missouri's economic development climate in relation to the larger environment.

The move away from tax credits prescribed by the Taimerica report applies to two larger trends that seem to reverberate in Missouri. The move away from tax credits is a necessary move in response a shift from a capital intensive manufacturing economy to a service and knowledge based economy. Since less investment is tied up in long term capital investment, tax burden relief on capital becomes less and less attractive.

The attraction of incentivizing labor as opposed to infrastructure or other forms of capital is highlighted in stake and investment a company has in *place*. To attract business investment a selling point is the labor force. This notion associates directly into second trend that tie closely into the era of spatialization. Because there is less tangible capital investment there is less embeddedness since less capital achieves increased mobility. So an approach that benefits long term investment is outdated. So the change to the Quality Jobs Act is a move away from tax relief on capital and a focus on tax relief on people.

The Quality Jobs Act introduces the new trend of payroll tax incentives that have a built in claw back because the company can not reap benefits from the program if they do not create jobs first. This minimizes the states risk of exploitation and also supports the change of development policies to emulate future revenue streams. So instead of giving benefits to create benefit this program switches the process that business must create benefit before they receive benefit. This protects the state but further enhances businesses' power over the terms of the interaction between the state and private interests on a large scale. While the state's investment is protected, business' mobility is increased and embeddedness is decreased. It is a short-term winning situation for public and private but in the longer term discussion it is another diminishment of *place* and subsequent power relation between the state and business.

Local Option Sales Tax (2005)

The Local Option Sales Tax is another piece of legislation that originated with the Taimerica report. Although this bill was attached to the Quality Jobs Act the purpose of the bill highlights the role of spatialization in a much more concrete way. The bill brings discussions of global competition, local control and the introduction of localism that is reminiscent of the 1980's reforms that were created at the federal level.

The Taimerica report emphasized the relevance of global competition. This emphasis led in part to the recommendation of the Local Option Sales Tax (LOST) because as the report states, "Local communities struggle to find the resources needed to match global competition" (Taimerica 2005:39). LOST simply allows something that was done piecemeal to be done on a wide scale. Local municipalities can implement a sales tax for the purpose of enticing investment and development. The collection and enforcement of the tax is overseen by the DED. The bill states that no more than twenty-five percent can be used for administrative costs, while twenty percent must be used to enhance infrastructure or the acquisition of land and finally the rest of the tax can be invested in marketing, job training, and development incentives.

This type of policy is seen as an exemplar in the best practices of economic developer around the nation. The broad categories of how the tax will be used are indicative of the environment created by spatialization. A state's approach to economic development becomes abstracted as this type of policy becomes more prevalent. LOST could fragment the goals and perspective of Missouri as a specific *place.* If more autonomy is given to local areas in relation to economic development the more differences in approaches and priorities may serve to create a competition that some municipalities may not be able to partake in. Senator Rita Heard Days commented on how the difficulty and inequity of funding could lead to a competition and concentration in areas that could benefit more from this tax.

> If they [municipalities in her district] are to compete, which virtually they can't, because they don't have room to put in a big box unit or have expansive power. Many of them are landlocked which creates a difficulty for them. So I see that creates a lot of competition within the municipalities and one will vie for this little strip mall and the other will try and out do that. I have always been of the opinion that we have a set number of retail operations so what you do is shift them from one place to another and it tends to be whom ever can offer them the best incentive package is the one that is going to end up with that development (Days 2005).

Another reason for disputation of this policy refers to the previous point of fragmenting economic development and shifting responsibility. Senator Koster stated,

> You know in general like a lot of Republicans I do favor local control of issues but I don't think small communities…I don't know if I would favor the ability of small communities to raise taxes for those types of programs because frankly I don't think that small communities have got the expertise, or the infrastructure to make that work. Everyone is going to take advantage of that opportunity and put together some kind of a program and some kind of office to do that locally for economic development. But do I believe that can work? No I am pretty dubious on that type of program (Koster 2005).

The lack of policy know how and funding makes this program interesting and solicits questions of the level of analysis. Previous discussions about competition between states have outlined how the increased responsibility and environment partially created by New Federalism policies had a part in creating what Douglas Watson called the New Civil War. The purpose of LOST is similar but on a different level. Senator Loudon (R) reiterated Koster's point but discusses what the taxpayers would be supporting.

> While all the taxpayers are paying for is a layer of bureaucracy to administer all of this. A layer of bureaucracy who's only purpose is to pit one city against another. So each city is going to grow their own home grown bureaucracies. They will compete with the city next door to see who can give away more of their city's toll (Loudon 2005).

With all of the concerns voiced about the program it passed partially because of its inclusion in the Quality Jobs Act. Senator Loudon gave an interesting insight into how legislation can be passed without necessarily having popular support.

> I had a piece of legislation that I was trying to kill one time and I killed the bill and then I saw it on another bill and I killed that one and within a week I had three different bills that were substitutes that had the same language. So I surrendered. (Laughter) because killing those bills would have been more painful than letting the language stand (Loudon 2005).

The *Policy Style* depends on how much certain individual or group wants a piece of legislation to be passed. With Blunt's emphasis on economic development the bill being vetoed was not likely so through the attachment to the more popular bill the Local Option Sales Tax had a better chance of being passed.

The rationale behind the Local Option Sales Tax is looking to both give local control over economic development decisions but also to give the municipality the ability to act quickly instead of having to achieve the tax by solicitating help from the state. The need for quick decisions and localized autonomy has the ability to fragment and create competition inside the state, but more importantly the shift further points to the shaping ability of the new Social Structures of Accumulation in an era of spatialization.

Tort Reform and Workers' Compensation Reform 2005

Tort reform and workers' compensation reform were the two main pieces of legislation that have been cited by numerous lawmakers as the most important of the session. Much of the political discussion in favor of the reforms revolved around Missouri losing medical practitioners because the insurance rates for medical malpractice were cheaper in other states, and the high rates of insurance for businesses in relation to other states. Discussions which deviated from relative competition between states also took on an individual mistreatment discussion by citing cases in which individuals were taking advantage of the system. Blunt stated, "There are well documented instances of individuals defrauding the Medicaid system and costing tax payers millions of dollars each year" (Blunt 2005:3). Blunt was not the only individual in Jefferson City citing individual fraud as a means of sweeping reform in Medicaid and Workers Compensation. Although many of the individual cases presented were incredibly wasteful and exploitive some legislators did not see the concerns as structural enough to necessitate the changes. Representative Bowman (D) cited the use of a more scalpel approach instead of citing individual abuse then fixing the problem with structural changes (Bowman 2005). His ideas like his party were the minority in the discussion about the changes brought about by these reforms.

Past the political rhetoric Representative Tim Flook (R) helped to simplify and put into perspective the changes. Flook elaborated on a more concise view of what would be accomplished with these two bills. (Tort Reform and Workers' Compensation Reform) He stated,

> ...worker's comp insurance cost and all of those types of things, so tort reform, the issue everyone has hung their hat on was medical malpractice,

> with doctors leaving but really, truthfully if you look at that bill what it does is it makes sweeping litigation reform across every other type of case including insurance. The end result is that Missouri has become more competitive with other states in terms of their litigation environment. Meaning costs are lower meaning your liability exposure is smaller (Flook 2005).

Changing the focus of the legislation to the broad topic of the cost of doing business in Missouri these reforms lessened the fixed costs for businesses by making adverse litigation more standardized and easier to account for. Both of the main bills associated with Tort reform involved increasing insurance rates for businesses and medical practitioners. The insurance industries' connection to the reforms was a point of contention which was discussed with Senator Loudon. He stated,

> Once you get…the tort reform gets into the whole regulatory issue. The system is kind of punitive...You have insurance companies afraid to run a risk so they rate it up because the risks are difficult to quantify. The potential downsides are hard to quantify. So for a variety of reasons tort reform is a key issue. When it cost Ford over 100 dollars more per car just because of workers comp costs here as opposed to Kentucky that is something we need to fix...if you are sitting in Detroit and you can put a plant anywhere or you can add a shift somewhere or reduce a shift another place you are going to make this decision on which state is giving you the best deal (Loudon 2005).

The discussion of the two lawmakers cited above highlights a more important goal of these reforms and the overall session in the business climate boost which will be felt by these reforms.

This legislation was a priority of business groups throughout the state of Missouri. The main business association in Missouri, Associated Industries of Missouri (AIM), [22] came out in support of Matt Blunt's agenda immediately after the State of the State address. Commenting on the bills associated with the litigation reform the newsletter

[22] "Associated Industries of Missouri is a business and industry trade association serving as The Voice of Missouri Business for over 1,200 Missouri employers. AIM represents its membership before the Missouri legislature, state regulatory agencies, the courts and the public." (AIM 2005)

stated, “The provisions in both bills closely mirror the Associated Industries of Missouri's (AIM) legislative priorities for tort reform” (AIM 2005). The discussion of support for the bills cited previous fights for the passage of tort reform and workers compensation. “In 2003 and 2004, the Missouri General Assembly passed tort reform bills only to have them vetoed by then-Gov. Bob Holden” (AIM 2005). The president of AIM Gary Marble Stated “This year's legislation is far more comprehensive and will offer real reform” (AIM 2005) The legislative agenda of creating a more pro-business climate in Missouri rested on these two issues and the general assembly quickly addressed legislation that had been created but vetoed for two years. The lawmakers addressed the issues first thing in the 93rd session and had the bills signed by the governor by early-April. During conversations with companies across Missouri their largest priorities as stated by Brian Grace were,

> Malpractice insurance and you have to fix workers compensation. Those were the two items on the top of their list so we tackled those items extremely early in the session. I think we sent a message to those companies that we are serious about attracting their business (Grace 2005).

Although these two issues were cited as the two most important issues in creating a better business climate for Missouri, the Department of Economic Development was not involved with the creation or directly involved in getting the legislation passed. “The department helped fine tune those issues but...neither of those issues originated over here or with the current administration” (Grace 2005). Grace's comment sheds some light on the creation of policy as a process which needs a certain context to come to fruition. The issues that were so relevant and the policies which were fought so vehemently to be passed were fragments of previous sessions in which the policies' time had not yet come.

The environment and context in which these policies and the perceived problems are symptoms of the policy context highlighted in a discussion of the work by Hall and McGinty (2002). As discussed the newly emerging policy domain involves a shifting *policy regime and paradigm*. Although these two structural concepts of policy creation are not as quickly changed as political administrations they do have the ability to shift when the contextual nature of policy formation does not have adequate pressure against the change. The intentions for change existed in previous session when discussing tort reform and workers compensation, but the support was not widespread enough to facilitate change.

Missouri's newly emerging approach to economic development to this point has not discussed any specific context for change. The purpose of briefly looking into the past in helping to understand the actions of the 93rd session and the emerging change is not to create a comparative analysis of policy. For policy critique and advice is out of the scope of this analysis[23]. What I look to do is create an ongoing process which is simply being continued in the main session being discussed. Since the difference between success and failure is more a symptom of the context; the means in which certain ideologies are advanced can only be understood through this view. Therefore, in an era of spatialization the answers of “how do we improve Missouri's business climate?” are never as important as the questions because the questions are formed and shaped more rigidly than the answers.

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[23] Any critique or prescription dealing with policy will be strictly because of findings of larger structural and environmental factors supported in this analysis. Although the use of larger national trends and various other studies can be used to help guide the future these are endeavors in which this analysis is not unnecessarily qualified.

The present picture is created by the past and the Policy Director Brian Grace, introduced a discussion of the goals of this administration and it will serve as a starting point for this discussion.

> An extremely large percentage of the success that we are able to have here at the department is because we have a governor that has made economic development one of his top priorities. Also, because we have the luxury of having a House of Representatives and a Senate that have the same philosophical views when it comes to economic development. When Holden's administration [previous administration] came in they tried to do a lot, but their successes were very small in number because for five months in a year they were butting heads with the legislature which was controlled by the Republican Party. So they were not able to manifest their ideas. So the fact that we have that good working relationship with the legislature, it allows us to be able to sit around the table with people who get along together and work towards the same goal.

The previous quote paints an important picture of the current period of economic development and policies involved but also only create that picture in relation to the previous time period.

TIF, MODESA, Quality Jobs Act, and the long road to change.

Tax increment financing (1982), the Missouri downtown economic stimulus act (2003) and the Quality Jobs Act (2005) all encapsulate the newly emerging approach to business incentives in response to the spatialized era. The common thread throughout all of these programs is the use of future revenue to fund projects. An exchange between Jodie Krantz (Business Development and Trade) Mike Mills (Deputy Director of DED) Sallie Hemenway (Community Development) helped outlined the similarity of Quality Jobs Act, TIF and MODESA and more broadly the new trend being discussed.

> J.K. A lot of states that offer the money up front have found themselves in a lot of trouble in the near future. Where the company had not created the jobs they promised and the company just left and they have to get into legal problems, the claw backs…(Krantz 2005)

> M.M. We have some incentives that work that way and we have a very good monitoring system set up to help claw back dollars on occasion if they miss their numbers. That is where Quality Jobs is so revolutionary, because it is an incentive provided if they perform (Mills 2005).
>
> S.H. Same thing with MODESA and TIF…it really is a future revenue stream based on their performance. It is the states commitment to a portion of that based on a company's performance. So the risk is minimalized in terms of the other types of incentive that offer it up front, and then the other part of the contract has to occur in order for it to come to fruition. There is…there is an element of risk in economic development because you are using tax dollars to stimulate and incentivise another action that you cannot be guaranteed of, but when they are structured like Quality Jobs is, when they are structured like MODESA it is only if...the states invest only if. To that end we are assured to be a winner (Hemenway 2005).

Since Tax Increment Financing (TIF) has been around since 1982 with the passage of the Real Property Tax Increment Allocation Redevelopment Act (Cox et al. 2001) a better understanding of the history of the tool needs to be discussed to better understand how the use of TIF has shifted. On February 2, 2005 the Kansas City Star highlighted two cases (H&R Block Headquarters and Bass Pro Shop) in which TIF is being used as "...an economic development tool that allows some of the new, additional tax revenues generated by the project to be used to help pay for infrastructure and other development related costs" (Kansas City Star 2005:A3). TIF was not originally created as a direct economic development tool, it was instead meant to be a tool that, "provides local government with a mechanism to capture and redirect tax revenues for he purpose of redeveloping certain areas" (Cox et al. 2001:11).

The previous definition does not differ much from a tool for economic development, but the difference revolves around where a TIF can be used. The emphasis that has been disputed is what constitutes an area that qualifies for a TIF. TIF is meant to be used to help develop areas that are deemed to be "blighted." On February 23, 2005 this very problem was discussed in relation to a bill introduced by Senator Tim Green (D). Senate Bill 282 was meant to address the vague definition of blight. The way the criteria was outlined "almost any area can be argued to meet the state guidelines that would allow a TIF district to be created" (Tax Increment Financing in the State of Missouri 1997 as found in Cox et al. 2001). Because of the ambiguity of definitions, TIF has become a means of attracting businesses to relocate in Missouri. Ken Thomas from the University of Missouri at St. Louis testified in the committee hearing that Retail TIFs are almost never needed. They become development incentives used to attract corporations. They are being used to develop municipalities instead of being used to aid blighted areas (field notes 2/23/05). The use of TIF as an economic development incentive is being used to develop municipalities and residential areas instead of aiding truly blighted areas. Senator Kevin Engler (R) stated he was behind the idea and residential TIFs are bad and out of control, but he seemed hesitant about the bill as it was presented. The opposition to this bill highlighted what TIFs used for job creation and tax base enhancement should be allowed. "Waiting until you are poor to redevelop is too late" (Tim Fisher: field notes 2/23/05). I argue the new focus and use of TIF points to a contemporary shift that has brought policy into line with the newly emerging trend of economic development.

With the scope created by this bill a newly emerging use of TIF can be associated with the newly emerging emphasis created in part by the era of spatialization. The function outlined in the creation of TIF has not changed but the context in which it is used has. Therefore, TIF has been brought to align itself with the newly emerging forms of future revenue funding programs. This emphasis paints a contradictory picture of third wave development policies predicted by Bockelmen's analysis.

Contrary to the third wave's emphasis away from business incentives towards infrastructure and job training, the second wave emphasis on partnership between public and private entities seems to be alive and well in the exemplars of economic development approaches.   The entrepreneurial state, discussed by Eisinger, seems to be shifting as opposed to diminishing (Eisinger 1988). The main emphasis of the newly emerging trend in economic development policy embeds the claw back clauses into the functioning of the benefit. This approach looks to protect the state from exploitation, but the long term trend does not do anything to create an environment that can encourage long term investment.

As the incentives become more specialized and less capital based the embeddedness which business has in an area will become more and more insignificant. Consequently as the trend continues the escalation of the long swing of spatialization will slowly erode the importance of specific *place* to the point in which competitive development will continue to expand economic development policy will revert back to an exploitive relation because of the shift in power relations.

Conclusion

In this chapter I have outlined the latter portion of the policy domain that is relevant to economic development policy in Missouri. By revolving the discussion around the policy and actions of the three relevant committees a better understanding of how the larger environment has changed the way Missouri approaches issues of economic development. The shift away from a tax credit base of development alludes to the mobility of capital and the changing economy that has come to define the era of spatialization. The Quality Jobs Act provides incentive with protection for the state, but the incentive does not encourage embeddedness. Embeddedness has little merit in economic development policies or business climate enhancements.

Focusing more on third wave development policies which revolve around the betterment of *place* at the expense of business incentives is a difficult action to justify in the current environment. A closer look at how the interactions have been structured and institutionalized and how this relates to the perceptions of lawmakers will be the main focus of the next chapter. Outlining more fully the third theoretically relevant topic of system bias and inner circle mentality will be the next step.

VIII. System Bias and Economic Development

The environment created up until this point puts state government at a marked disadvantage in relation to business interests. The shifting economy, competitive nature of state-sponsored location incentives, and various other products in an era of spatialization have made the interactions between the two groups unequal. The purpose of this chapter is to show that the inequity of the interaction is not indicative of an antagonistic relationship between public and private interests. As the use of economic development policies and business climate enhancement has become structurally embedded in the functioning of the state so too has the means in which the state interacts with business. The contention of this portion revolves around the power shifted to business interests in an era of spatialization, along with various developments in capitalist organization that has created an environment in which government becomes more responsive to the interests of the business community as opposed to the interests of other groups in the state.

I will begin by outlining the notion of system bias. This theory is advanced by Herbert Rubin's look at local economic development practitioners. He states, "According to the system bias model, business interests are favored because businesses especially those seeking to expand or relocate, provide demands that are clearly defined and bureaucratically obtained" (Rubin1988:237). Because of the cohesion between business interests, the requests are easier to understand and more predictable than the more unorganized and diverse population of workers and consumers.

Rubin's argument that business demands are more clearly defined demands is too superficial. The more useful approach is Useem's discussion of the inner circle in the context of an era of spatialization with an emphasis put on *place*. A discussion of the spatialized labor force and global marketplace will clarify the connection of structure and policy.

Since system bias has become structured to the way state government functions, examples of such bias in competitive developments effects can be found in the discussions with lawmakers and members of the DED. Throughout my discussions with the respondents for this project, there were many examples of working with business to craft policy and making sure that policy met the needs and enhanced the business climate. What was abnormal was to hear discussions of working closely with consumer and labor groups to craft policy. The programs were meant to benefit Missourians by creating jobs but the benefit of jobs could only be created after the benefit for business was solidified.

In this chapter the analysis of Useem's Inner Circle and Herbert Rubin's work on system bias will be supported by three main arguments. First I will draw on the interviews with lawmakers to show the role of the state in creating a positive business climate. Second, I will show the main tool of legitimacy for two key pieces of legislation (Quality Jobs Act and Local Option Sales Tax) was the report contracted by the MEDC to the Louisiana-based Corporation Taimerica. Dissecting the methodology used to elicit responses will illuminate the role of various groups in the creation of policy that effect business but also workers and consumers. Finally, by placing Missouri in a larger national and global environment, I will tie spatialization into the inner circle concept to show how actions of Missouri are a reaction to the larger context.

Whereas the last chapter outlined the relevant legislation and organizations used to advance the interests of analysis, this chapter will look at the policies but focus more on the word of the lawmakers and members of the DED. The policies dissected in the last chapter are straightforward in their function, but the narrative of the actors will outline the structural embeddedness of the bias of the state which favors business interests over all others.

The Role of the State

The most important indicator of Missouri's approaches to business climate enhancement is how the lawmakers view the role of the government. With a Republican majority in power and a vast majority of the respondents for this study hailing from the dominant party, it was not a surprise to hear more emphasis put on non-interventionist and free market ideologies. Representative Edgar Emery (R) outlined the broad role of the government in relation to economic policy and business. He stated,

> The main of role the state...[is]...two fold. One, stay out of the way…do not put up hurdles to those that are operating in that model. The second the state has a law enforcement responsibility so that when those that enter that model, but without a sense of integrity, they are identified and appropriately punished. I believe that is the best, now it doesn't create legislation or do all the things that have to be done, but philosophically that is the states role[24] (Emery 2005).

This is in line with the governing philosophies of many of the respondents, yet the broad principles must to be conditioned by the environment in this analysis, specifically the environment of spatialization and the diminishment of *place*. With these conditions the free market and non-interventionist tendencies only apply to situations in which the government has to impose regulations (sticks). The rewards (carrots) become necessary

[24] This quote takes on more relevance when the previous it is preceded by the previous quote. "A good business climate is where a person with an entrepreneurial spirit and a high level of integrity senses that it is easy to do business, easy to know what is required of you. Also, it is easy to repair any mistakes that you make in trying. Simplicity is another way of putting it. A good business climate is a simple business climate. A very simple model, you do what is right, you serve your customers and you succeed" (Emery 2005).

and standardized in the seemingly free market exchange. So the carrots must become progressively enhanced while the sticks must be diminished and standardized. This is the logic that has been created with states and the use of competitive development. Representative Roorda (D) altered the discussion of free-market and non-interventionist government to account for this discrepancy.

> First of all this agenda…this Republican agenda and it's ludicrous that the party whose platform is based on not interfering in the free market is reaching their hands into the free market. The balance should be struck without interference it should be struck with what Adam Smith called the invisible hand. We should very miniminally meddle in what is considered the free market (Roorda 2005).

A rebuttal to this line of inquiry would agree that this form of selective interference is not free-market orientated but necessary to compensate for previous administrations that have been seen as creating a business climate full of too many restrictions and regulations that have choked businesse's ability to make a profit. Representative Dennis Woods (R) paralleled this idea when he stated,

> I believe government can restrain businesses by causing the red tape by causing the bureaucracy to be more restraining on businesses and I think we have done that a lot in the past and I think this particular legislature has changed because there is different leadership and it is a Republican leadership. I think we have been more pro-business in that we are going to create an atmosphere and an economy that will reach out and bring businesses here which will in turn give us jobs and values that we want (Woods 2005).

This reasoning does little to take into account the history of the relations between business and government over the past three decades. Policies like litigation reform and economic development incentives were not instituted because Missouri has become too friendly to workers and consumers, which took away businesses' ability to compete. The policy instead has been a result of larger national and international structural changes that have shifted the power relationships inside the state. The globally competitive environment demands that Missouri focus resources and energies to compete in the new environment. The environment of spatialization is what made the changes necessary, not the mistakes of individuals or the unnecessary government restrictions as discussed by lawmakers.

With the role of the state becoming more and more important in enhancing both the business climate and Missouri's stake in *place,* the power shift can be more easily seen in the connection between business interests and the state. The connection and bias of business interests can be seen in the role which business interests have in creating policy. When asked what role business has in the policy process Brian Grace gave the example of how the DED and MEDC work together to craft policy, specifically the Quality Jobs Act with specific businesses in mind.

> Like I said when we were formulating the Quality Jobs program, the Missouri Chamber of Commerce and the MEDC were two groups that were heavily involved in that on a daily basis while we were crafting this language. And those are…the economic development council represents a coalition of economic developers so these are people whose full time job…there is a guy in Cape Girardeau whose full time job is to attract and bring in new businesses into Cape Girardeau. Also to help create an environment that is attractive to those businesses. So we bring all of these guys together and they tell us…about companies that are considering coming to Missouri. So they are coming to us and saying hey 'this is what they want' 'this is what they like' 'this is what they don't like.' So they really help us craft policy. We rely heavily…we consider those guys partners of ours, the chamber of commerce as well. They represent the largest group of employers in the state. So they are, on a daily basis, in touch with these people and they are talking with and hearing what they need out of Missouri and what we need to be doing what we could be doing better what we are doing good. (Grace 2005).

The mentality discussed above is the portion of Useem's Inner Circle that connects directly to the era of spatialization and more specifically business climate enhancements. Any change or alteration to better the business climate, such as the Quality Jobs Act and tort reform affects the entire business community that operates under the business climate.

The close working relationship with the government and business interests does not cause a problem simply by the interaction. This interaction can only become a problem if other groups are left out of the discussion. What the theory of system bias postulates is exactly the case when it comes to economic development agencies at both state and local levels. The purpose of the MEDC and Chamber of Commerce is the benefit of employers and municipalities across the state in Missouri. It seems counterintuitive that bringing more competition into the state would be good for the employers already in Missouri. In some select cases this rationale may ring true, but the growth mentality of the parties involved trumps the previous concern to trade 'shared competition' with the possibility of growth.

The perspective employed previously by Representative Pearce about the state becoming more pro-business because "who provides the jobs" downplays the role and importance of other groups in the state. This discussion point leads into the second section of this analysis when we look at the Taimerica Report and its methodology of creating the view of Missouri's business climate and what Missouri can do to enhance the business climate.

Deconstructing the Taimerica Report

The number of groups that have a vested interest in the creation of Missouri's businesses climate is a diverse and encompassing list. Because of this diversity Missouri's business climate has been discussed in terms that largely overlook concrete definitions. Yet the methodology of the Taimerica report, I will argue, does just that. This report, employed by the MEDC and used by the DED and sponsors of various legislation reveals which groups have a greater deciding stake in shaping policy to enhance the business climate of Missouri.

The assumption of this portion of the analysis is simple; workers and consumers have as much stake in Missouri's business climate of an area as do the business and political leaders of the area. Their lack of inclusion in the policy process makes any benefit which could be received by the actions of the General Assembly not created by empowering workers and consumers, but given to them by other dominant groups in the policy domain.

The second page of the report consisted of acknowledgements which look to thank various individuals and groups for their help and financial contribution which helped fund the study and create the report. The individuals and groups singled out for specific thanks were mostly associated with the Missouri Economic Development Council. If the groups were not directly associated with the MEDC, they were local economic development and local chamber of commerce groups, along with private companies and cooperatives. The funding for the report came from business, economic development and growth interests throughout the state (Although these categories can by not be exactly demarcated.)

The methodology of the report outlined the necessity of listening to customer input. The customers consisted of groups that are in the market for *place* and not conventional commodity consumers. The two groups that formed the sample for this report were investors looking for locations for facilities and communities represented by economic developers (Taimerica 2005). This is the dyad introduced in the theoretical portion of place seekers and place holders. These two groups make the sample for the study but this sample supports the system bias scope because communities are represented by groups whose purpose is to facilitate growth and promote economic development. The voice of the community is a voice that will mirror the business interests. This ties into the previous quote by Brian Grace regarding business' role in crafting the language of policy. Rubin's (1988) discussion of system bias and the relationship between business and local economic development groups is best summed by the quote "The philosophy of these practitioners revolves around working with companies and even to the point of working for the company" (Leicht & Jenkins 1994 and Rubin 1988: 245).

A mix of focus groups, online surveys and interviews were the tools utilized to gather the data in the report. There were focus groups of economic developers in Missouri, online surveys with both economic developers in Missouri and globally active companies operating in Missouri, and Taimerica interviewed Missouri companies and national site selection consultants with recent project experience in Missouri.

The methods and sample create a policy domain that is stacked in favor of business and growth interests of the state. It is not surprising that a majority of the findings and recommendations revolve around the interest of business to help Missouri jockey for better position among other actors in the global market place.

There is one strong category of recommendations that adheres to the enhancement of the business climate along with empowering workers is the creation and funding of job training programs. "Eighty percent rated Missouri training programs as inferior to those in other states in which they operate. '*Missouri training programs aren't worth the paper they're written on'*, in the words of one site consultant we interviewed" (Taimerica 2005:39 emphasis in original). This quote highlights how Missouri's emphasis still adheres more to supply-side incentives instead of third wave development policies. The report stated that Missouri's colleges were treated with high regard yet a trend in state educational funding of the public colleges in the state does not show promise for future changes. With regard to the budget and education Senator Koster (R) outlines the balance discussed earlier,

> I think my personal opinion is that we are dangerously…we are too close to one extreme right now. I am not anxious to raise taxes but I am open-minded to the need to show a greater commitment to infrastructure. Particularly schools and higher education, medical services that are related to Medicaid. This budget has been cut to the bone for ten years and there is no more cutting…to some degree…the waste fraud abuse issue needs to be addressed, but we also need to be concerned that we are not choking off the services people expect. *Right now a kid has to take more money out of his pocket to attend a school of higher education than the state provides. In other words for the first time in the states history our public university system has become a majority private institution, rather that a majority public institution* (Koster 2005 emphasis add).

The change in the economic development paradigm highlighted in the Taimerica report places emphasis on third wave strategies that would make Missouri alter their approach in a way that the state could enhance the business climate while still leading towards more egalitarian relationships between business, labor, government and consumers. "Missouri looks on training and education as expenses rather than investments. This paradigm needs to change" (Taimerica 2005:35).

Inner Circle and the Individual State

Michael Useem's (1984) discussion of upper class cohesion and the web of benefit advanced in the Inner circle is a macro-level look at socio-historical shifts in capitalist organization. The scope of the analysis is well out of the specific case study of Missouri, yet the theory posits benefit can be obtained by individuals and groups that lie outside of the inner circle, yet have similar goals and interests. Discussions with lawmakers show a national and global level of interaction that has real policy and economic development implications on the micro-level here in Missouri. I will begin this portion with quote by Senator Griesheimer (R).

> To a large degree we have been anti-business with some of our regulations and some of the taxes. You got to look at it this way, we are not saying that we have to open up the door and give business what it wants, *but the bottom line is that is where jobs come from*. If you want to tighten the rules and regulations and laws down so much business so that they do not have the freedom of movement, you are not going to get them to come to the state. They are going to go somewhere else. And I can tell you…I was at a dinner earlier this year and one of my constituents is a designer for huge factories and he lives in West St. Louis County and he made the comment that he would love…he is designing these factories for all over the world. He said it would be nice to do that in Missouri, unfortunately Missouri is regarded out in the industry as being an unfriendly state to business (Griesheimer 2005 emphasis add).

This quote reaffirms the narrative of many respondents. Senator Loudon advanced a similar story but the fix involved making Missouri a right to work state.[25] This discussion highlights the bargaining power mobile business has in an era of spatialization. Seeing Missouri as unfriendly to business is one that takes a discussion of power and incorporates it into the larger national and international environment. The cohesion and relative power of business groups and the subsequent power of their perception have led Missouri to implement policy and change procedures to attempt to

[25] Right to work is type of legislation that opens the shop of union companies. An individual is not forced to join the union of the company they are working for.

remedy the perception “in the industry.” Bills are passed and alterations are made to the way that Missouri state government functions and the benefit, although unequally, looks to privilege business interests while allowing privilege to other groups to be transferred only through the business interests (i.e. jobs, tax base, infrastructure).

This message can be read in two ways. Either this administration is looking to bring the pendulum back into balance, insinuating that workers and consumers had too much power and privilege or as has been discussed up until now, or the power relations inside the state have shifted in favor of private investment. The latter case would be attributed to the history and interaction of events and groups over the past 30 years or more specifically the exploration period of the era of spatialization.

To this point in the discussion of system bias the relevant businesses have been large businesses looking to relocate or expand. Various lawmakers pointed out that the backbone of Missouri is small business. High impact project such as the Ford Plant in Hazelwood, Express Scripts in St. Louis, and military installments at Whitman Airbase and Fort Leonardwood are important and have elicited immediate responses from the general assembly but how does this translate to small business that may not have the lobbying power of the previously discussed powerhouses in the state? This question makes the inclusion of Useem’s work important. The creation of a better business climate is something that benefits every member of a group that has similar interests. It is not the contention that all businesses have the same interests or that they are not in competition with each other. Instead relational changes from litigation reform to location and retention incentives can benefit small business inside the state. The benefit may not be equally distributed but the creation of a better business climate by larger companies and industry does translate into benefit for businesses of all sizes.

Representative Darrell Pollock, a small business owner, discusses the changes and the different effects the changes would have on different size businesses in this exchange.

> TL. You mentioned that you are a small business owner; do these reforms and the overall creation of a better business climate affect small and large business differently?
>
> DP. So much…it seems like so much emphasis is on large manufacturing…in the past it seems like everything the state offered was meant as a carrot to try and attract businesses that employed 500+. And yeah it did not really affect the small business. And to be honest with you there are a lot more small businesses and if you take that base of people of small business with 50 or 100 people or less that makes up a majority of the activity in the state. It needs to be all encompassing no matter what economic development we do. You have to in my perception deal with the whole spectrum of employers not just large. However those are great because you get that one big shot and they generally provide a little higher wage and maybe better benefits. I am not saying that you should run those off because you have to have those too of course, but simultaneously you have to deal with the small and the large (Pollock 2005).

This analysis is overly broad when it comes to industry because the benefit for small business versus large business is very relative depending on the industry and also location in the state. There are many variables that plague the generalizations of this study. With this in mind a reaffirmation of the goals of this analysis is to highlight larger structural trends that have played a role in shifting the power and privilege towards certain groups in the state. While the argument is valid that much variation does exist across industry, still the larger discussion of broad relative privilege created by competitive development in an era of spatialization is supported without accounting for relative relationships between specific industry and the state.

Conclusions and the DED

I will end this section with a selective historical look back at the creation and implementation of the Department of Economic Development. The DED is an institution that can best outline the changes which have been experienced by the state of Missouri over the past thirty years. A broad historical look has been discussed with much brevity, but for the case study of Missouri I would like to just highlight a few observations about the history and changes that have happened to this department over the past thirty years. The brief look makes a powerful statement because the main theoretical tenet of this analysis revolves around spatialization and the use of the created concept of competitive development.

The first finding in the Taimerica report reads,

> The Missouri Department of Economic Development (DED) is a large organization whose mission is too broad and convoluted. It is engaged in too many diverse facets that don't necessarily relate or complement Missouri overall goal of economic development, which is job creation and wealth building for the citizens of Missouri. Program offices such as those in regulations and licensing exemplify this (Taimerica 2005:43).

While nothing has yet been done to further change the department, changes in incentives and the organization of the DED is currently taking place (As of November 2005). The relevance and importance of this conclusion is the end product of the state's shift to the newly emerging Social Structures of Accumulation.

I want to begin with the official creation of the executive department which is known today as the Department of Economic Development. The establishment of the duties and responsibilities of the department were created through the Omnibus State Reorganization Act of 1974 (OSRA). This reorganization altered the government and more specifically the executive department. In this state reorganization act the duties of the department were created yet the actual DED was not.

The reorganization of 1974 resulted in the creation of a department called the Department of Consumer Affairs, Regulation, and Licensing (CARL). This department served many of the function of the current day DED, but the name suggested a different focus than the current department. The focus seemed to put more on protecting consumers through regulations and protections. The department was renamed in September of 1984, by constitutional amendment (McCaskill 2005). Only two aspects of the department directly changed with this amendment. Both of the changes may serve as indicators to further highlight to change the role of this department. The two changes include 1) The name changed to more aptly describe the mission statement of the department and 2) “administration of the programs of the state relating to the protection and importance of human rights were moved to the department of 'Labor and Industrial Relations'. (Senate Joint Resolutions 1984).

With the conclusion of the Taimerica report it seems that the department has changed along with the political and economic climate of the state. The goal as stated by the report in to create jobs and wealth for the citizen of Missouri. The broad goal accomplished in a manner that seems to place both employers and prospective employer’s interests before that of the consumers. Yet this shift is indicative of a larger trend that limits decisions and alternatives because of various changes such as competitive development in an era of spatialization.

To this point this analysis has been critical and informative in nature with little discussion of alternative routes to travel on a road so tightly restrained by the environment that surrounds it. I have looked to be overly diagnostic in this case study of Missouri in relation to economic development and business climate development. This analysis oversimplified concepts and is guilty of artificially demarcating groups and industries. Although the era of spatialization outlined has affected all businesses in the state of Missouri, it has not affected them equally. Since this analysis looked only outline the broad macro-influence of national and international trends on the micro-case study of Missouri the actual industry becomes less important. The importance decreases for this study but future research on differing impacts of industry in Missouri would yield useful information but it would simply complicate this discussion as opposed to rebuking it. So at this point I would like to introduce some questions and concerns that may be relevant to the final portion of the paper.

The concluding chapter will serve to complement the diagnostic nature of this work with a prescriptive one. The apologetic nature of portions of this paper may lead readers to believe that the structured interactions are so tightly engrained in the *policy paradigm* that change is so risky it is not worth embarking on. So questions of what can be done? Along with discussions for skeptics that may have problems with the analysis and solutions will be addressed.

IX. Conclusions, Findings, and Recommendations

Many lawmakers applauded the actions of the 93rd assembly as a first step in bringing Missouri back into competition. Successful examples closely related to the alterations of the 93rd General Assembly were discussed by key members of the DED along with a few showcase projects. A press release by Express Scripts® (A pharmaceutical network company) ten days after the implementation of the changes of the 93rd assembly highlighted the plans to locate to a new corporate headquarters on the Campus of University of Missouri at St. Louis. The Quality Jobs Act was mentioned in the article as an important incentive. While Express Scripts is expanding recent cut backs by Ford has put the future of the Hazelwood assembly plant in jeopardy. These are two individual cases that represent larger examples of change in Missouri. I want to spend the rest of this chapter not focusing on specific examples but larger conclusions that can be taken from the previous analysis.

The inquiry into Missouri's economic development approach and business climate enhancements has yielded finding regarding the role of the state in relation to private investment. In the sixth chapter *place* was introduced to highlight the relative nature of economic development, the role of spatialization in diminishing specific *place*, and how competition played a role in tying the previous points together. Approaching the subject of economic development as a relative phenomenon highlights the created nature of the interactions. Instead of looking at the process as a "black box" we can see the factors that go into the policy are as old as capitalism. The only new thing is a unique way of approaching it through the new Social Structures of Accumulation found in the long swing of spatialization.

Competition between states has increased the emphasis of state sponsored development and made the marketing of *place* equally important. As business mobility has increased, the state has become the more susceptible to capital flight. This has made the process of incentives more institutionalized in state government. As this process becomes more institutionalized through the policy process and the various departments (both public and private) development incentives become more normalized. Economic development policies and state sponsored location/retention incentives become expected and then questioning the incentives becomes questioning the status quo. This task is usually met with more opposition the more the process is institutionalized.

Sallie Hemenway articulated it best when she said, "Whether it is right or wrong or indifferent it is reality. We are competing against our neighbors and in that respect we are both a leader and a follower. We have to keep our competitive edge by creating tools that are somewhat similar to our neighboring states but we also have to stay ahead and be pro-active in the creation of tools that they do not have yet and it is a game played back an forth" (Hemenway 2005).

The purpose of economic development policies is outlined by the Taimerica report. The second main purpose is for a jurisdiction to show that it "values jobs and investment." This view alters business embeddedness. The company needs the commitment from the state as opposed to the state looking for the commitment from the company. This is an important idea in the related to the era of spatialization that pervaded much of the previous analysis. The value of community sheds light on the privileged nature of growth and the providers of growth have in setting the terms of the interactions. As these definitions and ideologies become ingrained in the *policy* *paradigm* of the state the more pervasive spatialization becomes as a means to make sense of state economic development.

Since the difference between success and failure is more a symptom of the context; the means in which certain ideologies are advanced can only be understood through the relative scope outlined. Therefore, in an era of spatialization the answers of "how do we improve Missouri's business climate?" is never as important as the questions because the questions are formed and shaped more rigidly than the answers.

In chapter seven I spent time outlining observed actions of the 93rd general assembly. The introduction of the quality jobs, local option sales tax etc. highlighted tools and indicators of the role of spatialization in Missouri's shifting approach to economic development. The change is notable and connected to the previous discussion of *place*. The move away from tax relief on capital to tax relief on people increases the importance of the labor force but also the mobility of business. The double edged sword allows the state to protect against exploitation but allows the dimishment of embeddedness. In other words, while the state's investment is protected, business' mobility is increased and embeddedness is decreased. It is a short-term winning situation for public and private but in the longer term discussion it is another diminishment of *place* and subsequent power stake states have in relation to business.

The local option sales tax was cited by the Taimerica report as a best practice by exemplars in economic development. This is a notable statement and notable action if this type of alteration becomes a trend throughout the region and country. The unit of analysis becomes decentralized again. I say again because of the connection between LOST and the new federalism programs of the 1980s. The similarity is the shifting of responsibility to a lower level. In the 1980s it was from the federal to the state, in this current type of policy it is from the state to the local municipality. As business interests are becoming solidified (tort reform, diminishing social programs, shifting tax burden, and various other business climate enhancements) the unit of regulation and restriction is becoming smaller and less powerful. Whether this program will allow municipalities to more effectively pursue economic development or shift the burden of economic development and growth to the local level or a combination of both, the change in the interactions between groups in the policy domain is notable.

In the final data analysis chapter the interaction between business interests and the state were outlined as biased. The theoretical scope of system bias allows a better understanding of why the interests of business and growth providers are privileged over the interests of workers and consumers. The notion of system is not looking to paint the picture of a corrupt governing body, but instead looking to outline how the structural environment has privilege supply-side approaches over alternatives. The reality has made one broad category seem as the only reality.

The cohesion and relative power of business groups and the subsequent power of their perception have led Missouri to implement policy and change procedures to attempt to remedy the perception "in the industry." Bills are passed and alterations are made to the way that Missouri state government functions and the benefit, although unequally, looks to privilege business interests while allowing privilege to other groups to only be transferred through the business interests (i.e. jobs, tax base, infrastructure).

This message can be read in two ways. Either this administration is looking to bring the pendulum back into balance, insinuating that workers and consumers had too much power and privilege, or the power relations inside the state have shifted in favor of private investment. The latter case would be attributed to the history and interaction of events and groups over the past 30 years or more specifically the exploration period of the era of spatialization.

Policy Avenues

A suggested course of action would be to take a step back and look at what is causing the necessity for development incentives and remedy that instead of remedying the problem by trying to stay ahead of other states by offering more or committing state resources or supporting "homegrown bureaucracies". The important commonality would be the competition over development between states and even within states. Looking into state or region cooperatives is a step that would even the playing field and makes a cohesive environment for investment. Mike Mills the deputy director for the Department of Economic Development discussed the first step of the possibility of interstate cooperatives. "It will probably start out as an agreement not to cannibalize the existing companies. And then transition into not competing for companies you are trying to attract. I don't know that is pretty far out" (Mills 2005). The possibility is "…pretty far out…" because like the prisoner's dilemma discussed in the literature review, some state has to take the lead.

Marty Romitti of the state research organization MERIC outlined a possible avenue of introducing cooperatives. The cooperative he discussed revolved around the life sciences.

> I think the life sciences…I think that we are strategically positioned in that industry but I think that those interstate cooperatives all have to hinge on something that triggers everyone's excitement and I think this life sciences is just emerging as potentially as the lever that might end up making some

> kind of Midwest regional alliance. It is partly by geography more than everything else. One of the interesting things for Missouri and it is frustrating for us is you have your two major cities that spill over into other states so you do kind of wind up, from a state perspective…you lose revenue if a business is more on the Kansas side than they are on the Missouri side. If you are in Kansas City doing economic development that doesn't matter because they are viewing the metro area as both Kansas and Missouri. What you have happen is you have both Kansas City and St. Louis…this life sciences all coming together but really the metros wanted it. St. Louis wanted to promote life sciences and Kansas City…and the state steps in as an organizing mechanism between the two, but what has happened is Kansas City touts the University of Kansas and the medical school, you know they are basically moving into Kansas and pulling in all of those assets they have all the way out to Topeka and back. Then they are moving into Illinois with the university of Illinois and back and now what you are doing is connecting from Columbia down and what you are going to have happen is the realization, and I think it is happening, Kansas, Missouri, Illinois are better off jointly moving this thing from Chicago to Topeka past Kansas City and basically saying hey every country in the world is trying to develop life sciences if we add assets, if we add the University of Illinois, add the University of Missouri – Columbia…So I think maybe, just in my opinion, this life sciences really holds some potential for some kind of regional leveraging but it is all built around everyone has a stake in the success of it from any vantage point they have…that is just my perspective (Romitti 2005).

Taking the lead on a possible life science cooperative along with being the beginning force behind forming regional cooperatives and agreements is a step that would yield a positive short and long term benefit for Missouri. This does not mean that competition will not have a role in economic development decisions. The only thing that would be changed would be the competition dealing with incentives would not exist. It is this competition that diverts resources away from tangible progress. The state would still keep its competitive skills honed but the competition would not exist on programs meant to entice. This move would introduce more emphasis on third wave economic development strategies. Since the trend of economic development gives assistance not on capital but people (in the form of payroll taxes) allow the people to advertise the state.

By investing less in business attraction and marketing concentrate more resources on training and improving Missouri's sense of *place.*

The marketing would still be necessary in the global economy, but marketing a region allows the funds to be dispersed more sparsely by each state. The consolidation of resources for investment on an interstate level has two main positive outcomes. As competition is becoming global the state is no longer only competing with other states. By pooling resources of the increased importance of marketing will allow regions to better sell *place* to prospective employers and will also show a more cooperative environment for investment. With a trend towards a more decentralized economic development approach it will become harder to attract investment to the area because there will be less funds for marketing, more layers of bureaucracy, and less to offer.

State consolidation may seem as a liberal ideology that does not allow the free-market to dictate the state and business interaction. Without even questioning this free-market ideology, I will argue that the opposite is the case. Because I wanted this section to truly bridge the gap between theory and application I knew the solutions had to be feasible. The argument for consolidation and diminishment of economic development policy is really more in line with the free-market mentality of the current Missouri General Assembly. The interjection of economic development policies does more to interfere with free market interactions than the existence of strong unions. The only difference is the vast majority of benefit is given to private investment. Since the state has a bias towards the interests of business this interaction can be passed off as true supply-side economics.

If the consolidation revolves around a single topic, like life sciences, or an agreed upon cease fire a single state has to take the lead. In times of a tough budget finding the balance discussed earlier takes on much more importance. Instead of making the citizens of Missouri have to pay for investment why not allow the people of Missouri to become empowered, educated and in a situation where true competition can be realized. This tends to more in line with the ideology.

Economic development is not a quick fix game and change is something that happens slowly. The first step that Missouri can take is to begin exploring conditional cooperatives between neighboring states. The lines of communication should not be difficult to penetrate because the emphasis placed on economic development has created a network of organizations on the regional, state and local level that serve development functions for their jurisdiction.

When the interview with the members of the DED was ending the parting statement by Sallie Hemenway was "Missouri is open for business" (Hemenway 2005). The infusion of cooperation into the inter-state climate will allow a state that advertises a strong labor force and good work ethic to truly put their money where their mouth is as opposed to putting that money where is does very little to truly benefit Missourians.

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