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# Community Benefits of Supply- and Demand-Side Economic Development Tools

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## 1. Introduction

Offering economic assistance to private firms continues to be an important part of the economic development policy of many states and local governments. Because this assistance is typically funded from tax revenues, it often generates political controversy. Opponents of these economic assistance programs question whether communities receive an adequate return on their investments and whether this assistance is equitable. In order to evaluate these concerns, it is critical to expand our understanding of the costs and benefits of various forms of economic assistance.

Understanding those costs and benefits has been complicated by the proliferation of new forms of economic assistance over the last twenty-five years. Traditional economic development tools, such as tax abatements and land write-downs, have been augmented over the last several decades by an array of "new wave" tools such as business incubators and enterprise zones (Eisinger 1988). Advocates of the "new wave" tools contend that they are more cost efficient. However, the intended benefits of these tools are often vaguely defined. Furthermore, the advantages of one tool over another in achieving a particular desired outcome are not well known.

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In this study we focus on the benefit side of the cost/benefit calculus. Many previous studies have examined the job creation benefits of various economic development tools (Bartik 1991; Green, Fleischmann, and Kwong 1996). We are interested in whether or not these economic development tools bring benefits to the community in addition to creating a specified number of jobs. These benefits may be divided into two categories: *economic benefits* and *social benefits*. Economic benefits include paying satisfactory wages, hiring local workers, and stimulating the local economy by buying from local vendors and selling products and services outside the community. (The number of jobs created also would be considered an economic benefit). Social benefits include volunteer and financial contributions to community organizations, participation in activities such as community-level sports, and support for community events such as local festivals. Because benefits are usually defined by job creation, these other benefits have received scant attention in previous research.

The objective of this paper is to examine the community benefits associated with different types of economic development tools. Using survey data from Wisconsin and Illinois, we make two types of comparisons. We compare firms that have received financial assistance with those that have not, and we compare firms that have received traditional incentives with firms that have benefited from new wave forms of assistance. We pay particular attention to the question of whether firms receiving assistance have contributed to their host communities by being good employers, by stimulating the local economy, and by exhibiting a significant level of involvement in community life.

## 2. Literature Review

The economic development tools used by state and local governments fall into two broad categories: traditional (also known as demand-side) and new wave (also known as supply-side) (Bartik, 1991). Traditional tools seek to provide financial and other incentives for businesses to locate and expand in an area. Most of these incentives are provided through the area's tax system and are in the form of subsidized financing through property tax abatements, loan funds, loan guarantees, interest rate subsidies, and corporate income tax exemptions.

New-wave forms of assistance, which became increasingly prevalent during the 1980s and 1990s, have one or both of the following characteristics: First, they aim to create a better business climate for a broad range of businesses rather than providing benefits to individual

firms; and second, they involve local government more closely in the operations of current (or potential) local firms. New-wave forms of assistance include enterprise zones, research parks, business incubators, revolving loan funds, trade missions, applied research grants, technology transfer programs, small business development centers, and export financing (Eisinger 1988).

The success of local economic development programs has been most often measured by the number of jobs created. The emphasis on job creation is understandable, given the importance of employment as a determinant of the overall well being of local residents. Moreover, as Bartik (1991), Logan and Molotch (1987), and others note, job creation has traditionally been the economic development policy outcome of most interest to politicians.

As a measure of economic development, however, job creation figures can be incomplete or misleading. One problem is the simple fact that the jobs created in an area may not go to area residents (Summers et al. 1976). With the high level of mobility of American workers, persons from outside the area may move to the area and take some portion of the newly created jobs. Alternatively, persons from outside the area may commute to the area and thereby take the new jobs. Summers et al. found that approximately 80% of the jobs created in rural communities are taken by nonresidents. The advantage of hiring local residents is that they may be expected to spend much of their income locally, thereby stimulating the local economy. A further concern involves which local residents obtain newly created jobs. If in-migrants take the jobs, as opposed to unemployed local residents, then the new jobs may not reduce the local unemployment rate.

Another limitation of job creation figures involves the nature of the jobs themselves. Although the creation of new jobs in an area suffering from high unemployment is of obvious importance, it is also important to consider the wages being offered, the benefits that accompany employment, and whether the jobs are part-time or full-time. The effects of low-quality employment extend beyond the particular workers affected. As Besser (1998) notes, "low wages depress the tax revenue of communities, affecting local public services, such as education, libraries, and infrastructure" (p. 31). Poor jobs also make it difficult for a community to attract and retain residents (Besser: 31). High-quality employment is generally related to a complex of other factors that both promote and constitute successful economic development. These factors include high value-added production processes, greater investment by employers in worker skills, more interest by employers in local educational institutions, and greater interest in innovation.

The current low level of unemployment is another reason to move beyond a narrow concern with job creation numbers. When jobs are relatively plentiful, it is reasonable to shift from a focus on the number of

jobs created to the nature of those jobs and the wider economic impact that a company may have on a community. Local officials have often offered financial incentives (the "costs") to firms in exchange for jobs. If a local government, however, is under less pressure to do something about unemployment, then the expected benefit of job creation has less salience, and local officials may want to reconsider the incentives they are offering in exchange for jobs, or consider the other benefits that firms may provide, or both.

Besides offering employment to local workers, firms can affect the local economy in several other important ways. By selling its products or services outside the area, a firm can function as a local "exporter," bringing money into the local economy and stimulating economic activity. Alternatively, by buying inputs locally, a firm can inject money into the local economy. The most important input, labor, has been mentioned already; other inputs consist of the raw materials, supplies, and services that a firm uses to produce its product or service.

More generally, an emphasis on expanding the notion of economic benefits beyond the number of jobs is related to the new-wave approach to local economic development. In this approach there is a strong organic element in local economic development. This means that economic development is bred locally, not imported. It results, when most successful, from a combination of skilled local workers, effective local educational institutions, superior local infrastructure, local sources of capital, and local firms that are willing to invest in their workers and their production processes. From this perspective, firms should be evaluated on the extent to which they can contribute to this larger organic process, not just on the number of jobs they provide.

Evaluation of assistance provided to firms is most often seen as an economic development issue, and indeed economic development is often the overriding concern of local elected officials, especially during periods of economic malaise or in areas suffering economic distress. Today, however, many local governments are asking whether economic impacts alone adequately capture the contribution that a company makes to the welfare of local residents, and whether a local government should expect firms receiving assistance to be involved in their communities beyond their traditional role as employers (Besser 1998). From this perspective, there are further questions about the incentives that local governments provide to firms: To what extent do the firms receiving those incentives contribute to the general well-being of the community? For example, do firms that receive assistance volunteer time for local community organizations? Do they donate money to local charities? Do they help support local sports and other local activities? In addition to examining economic benefits, this paper also explores social benefits provided to the community by assisted and unassisted firms, and by firms that have

received traditional forms of assistance as compared with those that have received new-wave assistance.

Economic development tools have traditionally been evaluated within the confines of economic development proper. A more expansive notion of economic development, however, is that it should be seen as an integral part of community development, which is the ongoing process of improving the quality of life for community residents and expanding their capacity – both individual and collective – to achieve their economic, political, and social goals (see Ferguson and Dickens 1999). Just as the number of jobs is a vital but limited view of economic development, economic development itself is a vital but limited part of the larger goal of community development. It is from this perspective that we pose the questions above regarding the social benefits that are potentially associated with providing or not providing assistance to firms, and with different types of economic development tools.

### 3. Methods and Data

This study gathered information on three types of “new wave” tools: business incubators, enterprise zones, and revolving loan funds. These tools are described briefly below.

*Incubators.* In recent years business incubation has become widely used as a local economic development strategy. A business incubator is a building that has been designed or converted to house small businesses. The purpose of the incubator is to provide the tenants, mostly new firms, with an affordable and supportive environment that will maximize their chances of successfully “hatching” a small business. Aside from offering space at an attractive rate, the incubator provides shared services such as telephone answering, conference rooms, loading dock, duplicating equipment, and secretarial service. In addition, there is usually an incubator manager who is available to advise the tenants on general matters relating to new and small businesses. Some incubators also offer training and workshops on topics such as financial management and marketing. In Illinois and Wisconsin incubators are often set up and operated by local municipalities or economic development organizations, sometimes in conjunction with local educational institutions.

*Enterprise zones.* An enterprise zone (EZ) is a geographically delineated area. Firms located within the zone, including those that relocate to the zone or start up new businesses in the zone, are eligible to receive a variety of incentives, mostly in the form of tax credits and other tax advantages (see Table 1). The basic idea behind the enterprise zone is that economic development in a distressed area can be fostered by lowering the costs of doing business. In 1993, President Clinton initiated

the first federal enterprise zone program, known as the Empowerment Zone/Enterprise Community initiative. The states, however, have been experimenting with enterprise zones since the eighties. Our data come from state-sponsored enterprise zones in Illinois and Wisconsin (in Wisconsin, they are referred to as development zones).

*Revolving loan funds.* A revolving loan fund (RLF) is a mechanism used by local governments to provide funding to local firms, including new firms, that are unable to secure funding from traditional private sources (e.g., banks) or conventional government programs (e.g., the SBA). A RLF works very much like the lending part of a bank, except that all decisions are made by local economic development officials. Funds are lent to qualified businesses; when the money is repaid it is available to be lent out again. A RLF thus provides a city or other local government with a source of recyclable funds that it can use to promote local economic development. Control over the funds by local officials allows for improved lending terms, and for more flexibility in meeting the financial needs of businesses. Revolving loan funds have been used predominantly to serve smaller firms.

## 4. Data Collection

Separate survey instruments were devised for each of the three new-wave forms of assistance; a fourth survey questionnaire was created for traditional forms of assistance. Each of the four survey instruments contained questions related to the particular form of assistance involved (e.g., the specific tax credits that an EZ firm may have used) and questions common to all the forms of assistance. We mailed questionnaires to selected firms in Illinois and Wisconsin. To control for differences due to location, we tried to find cities that offered all three of the new wave forms of assistance. In Illinois the cities of Monmouth, Macomb, and Decatur satisfied this condition perfectly, as each utilized incubators, enterprise zones, and revolving loan funds (see Table 2). In Wisconsin a slightly larger number of cities was required. Fond du Lac and Superior offered most of the forms of assistance. Firms from five other cities also were surveyed to ensure that at least three different locations were sampled for each form of assistance.

We received 21 questionnaires from firms that had been located in an incubator and had "graduated." We received 21 questionnaires from firms that were located in an enterprise zone *and* had received EZ benefits. We received 15 questionnaires from firms that had received funds through a revolving loan fund. All of these firms, by definition, were considered to have received assistance.

We received 45 questionnaires from firms that had received some form of traditional assistance. In Illinois, the traditional assistance surveys were mailed to a random sample of firms in the same three cities that had the other types of assistance. In Wisconsin, they were mailed to a sample of firms in Fond du Lac County and Douglas County, which had most of the other forms of assistance, and Waushara County, which was one of the incubator cities.

The response rates for incubator firms, EZ firms, RLF firms, and traditional assistance firms were 28%, 14%, 13%, and 40%, respectively. Response rates were generally higher in Wisconsin than in Illinois. The low response rates for EZ firms are explained, in part, by the fact that a much larger number of questionnaires were mailed in Illinois than Wisconsin, but with a much smaller response rate. This occurred because the Illinois EZ questionnaires were mailed to *all* the firms (n=540) in various enterprise zones in Monmouth, Macomb, and Decatur. The overwhelming majority of those firms, we assume, have not received EZ benefits and were unmoved by a questionnaire about such benefits. (Indeed, some respondents were unaware that they were located in an enterprise zone.) In Wisconsin the EZ questionnaires were mailed only to firms that were located in an enterprise zone and certified to receive EZ benefits (n=70). We are somewhat puzzled by the low response rate for RLF firms, although here again more questionnaires were mailed in Illinois than in Wisconsin, but with a lower response rate, thereby lowering the overall response rate. Part of the explanation may be the fact that firms that receive revolving loan funds tend to be small and relatively young, and firms with these characteristics are among the most difficult to survey. Other researchers (e.g., Reynolds and Freeman [1987]) have also encountered low response rates among young, small businesses.

After removing those firms that reported receiving more than one type of assistance, the sample consisted of 225 firms, 100 that had received assistance and 125 that had not. Of the 100 that had received some form of assistance, 45 had received one or more traditional forms of assistance. The remaining 55 firms had each received one of the three new-wave forms of assistance described above.

## 5. Characteristics of the sample

We asked the firms a variety of questions about their contributions to their local communities (Table 4). The first type of question gathered standard economic information such as number of employees, principal product or service, and length of time in the community. Another set of questions involve more indirect measures of the firms' contribution to the local economy: how much are workers paid? Do they hire workers



who live in the community? Are inputs (other than labor) purchased locally? Are products sold ("exported") outside the community? A final set of questions probe the firms' performance in terms of their support of local non-profit events and organizations: how much money do they donate? How many hours do they volunteer?

The responses indicate that a large majority of the incubator, EZ and RLF firms are under independent ownership (as contrasted with ownership by a multi-establishment firm). To the extent that an owner's profits remain within the community, local ownership is beneficial, and thus funding for such firms is more easily justified--all else being equal--than the funding of non-local branch establishment that send their deposits to a parent company located out of the area. A substantial percentage of the firms that received one of the three new-wave forms of assistance are engaged in manufacturing (based on a two-digit SIC between 20 and 39). Because manufactured goods are more likely than most other goods and services to be sold outside the community, and because manufacturing generally tends to pay better than most other major industrial groups, the high proportion of manufacturing firms is usually considered beneficial for the local economy. Incubator graduates and recipients of RLFs have been in their present location for the shortest time, an unsurprising finding since these two forms of assistance are geared so much toward new firms. EZ benefits, by contrast, seem to have gone to firms that have been in existence nearly as long as them that received any of the traditional forms of assistance. Looking at number of employees, what stands out is the small workforces of the incubator graduates, and this is for those graduates that are still in business. This suggests that the job generation prospects of incubator firms are modest.

There are a number of noteworthy differences between firms that received assistance of any sort and firms that did not receive assistance. The firms that received assistance tended to be newer, were more likely to have expanded during the last five years, were more often engaged in manufacturing, sold more of their product or service outside the local area, and paid a larger percent of their workers more than \$7 an hour. They also employed more workers who live locally. In terms of non-economic community involvement, the picture is mixed, although the firms that did not receive assistance are more likely to support local sports and festivals. This may be related to their longer tenure in their communities.

## 6. Data Analysis

The survey data were analyzed using Ordinary Least Squares (OLS) regression and logistic regression. OLS regression was used to analyze economic benefits because the dependent variables were all expressed at the ratio level. Logistic regression was used to analyze social benefits because the dependent variables here were all dichotomous. In both sets of regressions we compared assisted to unassisted firms, and compared the use of new wave tools with tradition forms of assistance.

### *OLS Regression*

OLS regression was used to estimate the effect of assistance, and type of assistance, on six economic indicators at the firm level. These six indicators capture various dimensions of the economic contribution that these firms make to their communities. The six dependent variables are: 1) the percent of employees paid less than \$7/hour; 2) the percent of employees who live locally; 3) the percent of inputs other than labor that is purchased locally; 4) the percent of a firm's product or service that is sold locally; 5) the number of workers (on a full-time equivalent basis) added by expansion, for those firms that expanded during the last five years; and 6) the total number of employees added between 1993 and 1998.

For each dependent variable two models were constructed. Model 1 includes only the four types of assistance. These are the primary independent variables. All four variables were dummy coded with firms that did not receive any assistance serving as the reference (or excluded) category. To control for firm characteristics a second model was estimated which included four additional variables. Model 2 contains, in addition to the primary independent variables, the following four control variables: manufacturing (dummy coded: 1=manufacturing firm, 0= all others), years in business at present location, size of workforce (number of full-time employees in 1998), and ownership by a multi-establishment firm (dummy coded: 1=owned by a multi-establishment firm, 0= all others). The regression results are shown in Table 5.

*Wages.* The negative coefficients indicate that firms that received assistance had fewer employees who were paid less than \$7 an hour. This effect was significant for RLF firms and approached significance for incubators ( $p=.062$ ). The coefficients in Model 2 show that this relationship remains when controls are introduced, although only the coefficient for RLF is significant at the .05 level. Manufacturing status, although associated with higher-paying jobs, did not reduce the size of the effect for RLF firms.

*Hiring local employees.* Model 1 indicates that firms receiving both new-wave and traditional forms of assistance employ a significantly larger percentage of local workers than firms that did not receive any assistance. This relationship remains strong when the control variables are introduced, with the coefficient for all the primary variables remaining significant at the .05 level or better, except for incubators ( $p=.090$ ). This suggests that firms that receive assistance are more likely to hire workers from the local area.

*Buying inputs locally.* Neither model produced any statistically significant results for this variable. The results do not establish that the multiplier effects of local purchasing are greater in the firms receiving incentives than those not receiving incentives.

*Selling products and services locally.* The negative coefficients in model 1 show that the firms that received new-wave forms of assistance sold more of their products and services outside of their local community, and thereby increased the flow of dollars into their communities. These coefficients are statistically significant and exhibit a strong positive relationship, ranging from 21% for firms participating in an EZ program to 27% for incubator graduates. These results, however, are less impressive when the control variables are introduced in model 2. Only the coefficient for incubators remains significant at the .05 level. RLF ( $p=.085$ ) might be considered marginally significant. The variable for manufacturing, as might be expected, has a large and statistically significant effect on the amount of output that a firm "exports" beyond its host community.

*Workers added by expansion.* We asked employers to report the number of workers (on a full-time equivalent basis) added as a result of expansion. As model 1 shows, EZ firms and firms that received traditional assistance have positive and statistically significant coefficients for this variable. Statistical significance, however, disappears when the control variables are added in model 2. Of the three control variables that are significant, the size of the firm has the strongest effect. Interestingly, model 2 indicates that those companies that are owned by a multi-establishment firm—that is, those that are not independent-tended to add fewer workers as part of an expansion.

*Number of workers added during the last five years.* Both EZ and RLF firms added more workers during the last five years than firms that did not receive assistance, as indicated by model 1. The coefficients for EZ and RLF, which are statistically significant in model 1, decrease moderately when the control variables are added in model 2. The coefficient for RLF is marginally significant with a  $p$  value of .059. The difference in the number of workers added over the last five years can be attributed to whether a firm is engaged in manufacturing and the size of the firm. These two control variables, however, have contrasting effects.

Manufacturing companies added more workers, which may be related to the relative prosperity of manufacturing firms in our sample. Yet firm size was inversely related to the number of workers added by expansion. It may be that smaller companies in our sample are growing more rapidly than larger companies, even on an absolute basis.

Overall, the regression results provide moderate evidence that assisted firms provide more economic benefits to communities than non-assisted firms. A particularly strong conclusion is that such firms are more likely to employ workers who live locally. Furthermore, assisted firms are more likely to export outside the community, providing additional economic stimulus.

Although less robust, the findings also suggest that assisted firms may expand more rapidly, as measured by number of employees, than unassisted firms. In regard to wages, while only the coefficients for RLF are significant, those for the other forms of assistance point in the same direction, suggesting a possible general tendency for firms receiving assistance to pay low wages to fewer of their employees.

Of course, these regression results do not establish a causal relationship between business assistance and economic benefits to the communities. It is conceivable that the assisted businesses would have provided the economic benefits, even without the assistance. However, at a minimum, the findings suggest that local governments have been successful in their attempt to assist those companies that provide enhanced economic benefits to their host communities.

Furthermore, the regression results indicate that new-wave assistance is associated with outcomes that are generally at least as good as those from traditional assistance. Overall, the new-wave firms in our sample sold more outside the local community, added more workers during the last five years, and employed approximately as many local workers.

### ***Regression Results From Social Indicators***

We conducted a logistic regression analysis for five social indicators: (1) whether or not the firm gave \$1,000 or more per year to community organizations; (2) whether or not the employees volunteered 10 hours or more per month; (3) whether or not the firm supported a local sports team; (4) whether or not the firm supported a local festival in the community; and (5) whether or not the firm supported other local activities.

The findings are rather mixed (see Table 6). Incubators are less likely to provide donations to local organizations. Firms receiving traditional assistance and EZ incentives are more likely to have employees volunteering in the community, even while controlling for firm size. On the other hand, EZ firms are less likely to support local festivals than are firms that have not received assistance. Overall, the models do not

suggest there are significant differences among the firms, in most regards, with respect to social involvement in the community.

## 7. Conclusions

State and local governments face important decisions on whether to use public funds to assist private businesses. Even if the decision is made to assist business, the government agency must select from a wide array of economic development tools. If more informed decisions are to be made, the relative benefits and costs of each tool must be better understood. The ultimate goal is to equip policy-makers with comprehensive information on the benefits and costs of each tool, so that they can decide whether the rate of return is adequate, and choose a tool that will efficiently achieve a desired outcome, e.g., high wages or local hiring of workers.

In the current environment of rapid economic growth and widespread labor shortages, development policies that create low-quality jobs may not be prudent. Instead, policies that generate high wages and other benefits, such as the hiring of local residents, are desirable. State and local governments need information on which, if any, economic development tools create these benefits. Previous research has focused on the number of jobs created by economic development tools. This paper examined the association of economic development tools with broader economic benefits, such as wage levels, sales outside the community, and hiring of local residents. It also examined the relationship between development tools and social benefits such as community involvement and charitable contributions.

The findings of this study indicate that assisted firms provide more economic benefits to communities than do non-assisted firms. In particular, assisted firms are more likely to employ local residents and to "export" goods outside the community. Those firms assisted by the new-wave approaches are at least as effective in achieving these results as those firms assisted by traditional tools. However, we were unable to discern a relationship between assistance, or type of assistance, and social benefits. There continues to be a need for research at the firm level that will contribute to our understanding of the impact of economic development assistance.

**Table 1.** Enterprise Zone/Development Zone Benefits in Illinois and Wisconsin

	IL	WI
sales tax credit/exemption for building materials	x	x
utility tax exemption	x	
investment tax credit (for equipment and buildings)	x	x
jobs tax credit	x	x
income tax deductions	x	
abatement of property taxes on new improvements	x	
waiver of business licensing and permit fees	x	
streamlined building code and zoning requirements	x	
resident tax credit (for hiring residents of the zone)*		x
location tax credit (for investing in real property in the zone)		x
research tax credit		x
environmental remediation tax credit		x
dependent care tax credit		x

\* This credit is no longer offered.

Source: Wisconsin: Wisconsin Department of Commerce, *Community Development Zone Program*, 1996.

Illinois: Illinois Department of Commerce and Community Affairs, *Illinois Enterprise Zone Program*, 1997.

**Table 2.** Location of survey sites, by type of assistance received

	Incubator Graduates	Enterprise Zones	Revolving Loan Funds	Traditional Assistance
<i>Illinois</i>				
Monmouth	X	X	X	X
Macomb	X	X	X	X
Decatur	X	X	X	X
<i>Wisconsin</i>				
Fond du Lac	X	X	X	X
Superior	X	X		X
Manitowoc		X		
Two Rivers		X		
Waupun			X	
Waushara				X
Wautoma	X			

Table 3. Response, by state and type of assistance received

		Incubator Graduates	EZ <sup>1</sup>	RLF	Traditional Assistance <sup>2</sup>
Illinois	mailed (#)	45	540	82	192
	completed (#)	12	54	9	30
	received asst. (#)	12	7	9	12
Wisconsin	mailed (#)	29	70	25	172
	completed (#)	9	26	6	81
	received asst. (#)	9	14	6	33

1. The number of EZ respondents who actually received EZ benefits differs from the number who completed the questionnaire because a) in Illinois questionnaires were sent to all firms in the designated EZ zones, and b) in Wisconsin questionnaires were sent to firms in the designated EZ zones that had been approved for participation in the program, but many indicated that they had not received any benefits.

2. The number of traditional assistance respondents who actually received some form of traditional assistance differs from the number who completed the questionnaire because the survey was sent to a large number of representative firms in the targeted areas and there was no way to know *a priori* which firms had received any of the various forms of traditional assistance.

Table 4. Characteristics of firms, by type of assistance (N=225) (figures in parentheses are medians)

	Received Assistance				
	Inc. Grads. (n=20)	EZ (n=20)	RLF (n=15)	Trad. Assist. (n=45)	Did not receive assistance (n=125)
independent ownership (%)	100.0	90.0	93.3	77.8	83.1
manufacturing (%)	40.0	36.8	33.3	13.3	17.6
years at present location (mean)	8.5	17.5	5.3	20.2	26.6
# total employees (mean)	13.4 (4.0)	41.9 (23.0)	29.7 (15.0)	117.6 (30.0)	34.0 (15.0)
# full-time employees (mean)	10.8 (2.0)	34.5 (13.0)	23.5 (12.0)	102.4 (24.0)	25.9 (8.0)
# part-time employees (mean)	2.6 (1.0)	7.4 (4.0)	6.6 (2.5)	15.2 (5.0)	8.0 (2.0)
% workers paid less than 7\$/hr. (mean)	13.0	21.2	15.2	27.5	32.0
expanded within last 5 yrs. (%)	- <sup>1</sup>	57.9	53.3	47.7	32.0

Table 4 Continued

	Inc. Grads. (n=20)	Received Assistance			Did not receive assistance (n=125)
		EZ (n=20)	RLF (n=15)	Trad. Assist. (n=45)	
# workers (FTE) added by expansion (mean)	- <sup>1</sup>	16.6 (2.0)	10.1 (6.0)	15.1 (10.0)	5.1 (3.0)
increase in total # workers 1993-1998 <sup>2</sup> (mean)	6.1 (1.0)	15.8 (4.0)	21.0 (8.0)	7.4 (4.0)	2.8 (1.0)
relocated from another site (%)	- <sup>1</sup>	36.8	46.7	35.6	34.7
previous site in same community (%)	- <sup>1</sup>	100.0	85.7	93.8	88.5
% employees live locally (mean)	72.1	85.2	79.8	86.7	54.1
% inputs purchased locally (mean)	36.1	32.6	26.8	27.6	32.2
% product/service sold locally (mean)	35.9	42.7	39.6	57.8	61.4
volunteer more than 10 hrs./mo. (%)	20.0	68.4	42.9	62.8	38.8
give at least \$1,000/yr. to charity (%)	18.8	55.0	40.0	68.2	58.8
support local sports (%)	- <sup>1</sup>	45.0	40.0	57.8	66.9
support local festivals (%)	- <sup>1</sup>	35.0	46.7	62.2	68.5
support other local activities (%)	- <sup>1</sup>	47.4	53.3	55.6	43.4

1. Data not available.

2. The time period is different for incubator graduates and firms that received RLF assistance. For incubator graduates the period is from the date of graduation to the date of the survey, a mean period of 3 years. For firms that received RLF assistance, the period is from the date the loan was received to the date of the survey, a mean period of 4.6 years.



Table 5. Linear regression of economic indicators on type of assistance and firm characteristics (standard errors in parentheses)

Independent variables	% Employees paid < \$7/hour (n=198)		% Employees who live locally (n=194)		% Inputs bought locally (n=170)							
	model 1 b	Beta	model 2 b	Beta	model 1 b	Beta						
<i>Type of assistance:</i>												
Traditional Assistance	-4.16 (6.21)	-0.049	-6.87 (6.00)	-0.081	32.39*** (5.85)	.38	33.07*** (6.02)	.39	-5.37 (6.16)	-0.07	-3.33 (6.23)	-0.04
Incubator	-17.94 (9.57)	-0.14	-15.38 (9.32)	-0.17	18.30* (8.24)	.15	14.72 (8.64)	.12	4.30 (8.57)	.04	7.24 (8.73)	.07
EZ	-8.47 (8.79)	-0.07	-3.90 (8.39)	-0.03	32.12*** (8.67)	.25	29.81** (8.89)	.23	-2.13 (8.57)	-0.02	2.71 (8.52)	.03
RLF	-21.32* (9.90)	-0.16	-20.63* (9.62)	-0.15	26.06** (9.50)	.19	22.19* (9.88)	.16	-6.70 (11.05)	-0.05	.27 (11.24)	.00
<i>Firm characteristics:</i>												
Manufacturing <sup>1</sup>			-26.65*** (5.91)	-0.32			6.87 (6.03)	.08			-12.82 (6.65)	-0.17
Years in business at present location			-21* (1.0)	-0.15			-12 (1.0)	-0.08			.13 (1.0)	.11
Size of workforce (f/t employees 1998)			.001 (.01)	.01			-0.015 (.01)	-0.08			-0.094 (.06)	-0.15
Owned by multi- establishment firm <sup>2</sup>			-4.70 (6.44)	-0.05			.30 (6.82)	.00			3.66 (7.62)	.04
Constant	30.94*** .038		41.84*** .175		53.76*** .177		55.87*** .191		33.70*** .009		34.35*** .078	
R <sup>2</sup>												
Significance	.109		.000		.000		.000		.819		.103	

\* = p &lt; .05, \*\* = p &lt; .01, \*\*\* = p &lt; .001 (two-tailed)

<sup>1</sup> coding: 1 = mfg. firm; 0 = all others<sup>2</sup> coding: 1 = owned by multi-establishment firm; 0 = all others

Table 5 (cont.) Linear regression of economic indicators on type of assistance and firm characteristics (standard errors in parens.)

Independent variables	% Product or service sold locally (n=201)		# Workers added by expansion (n=74)		# Workers added last 5 years (n=179)	
	model 1 b	Beta	model 1 b	Beta	model 1 b	Beta
<i>Type of assistance:</i>						
Traditional Asst.	-4.672 (6.847)	-0.049	-3.530 (6.058)	-0.037	10.947* (4.371)	0.300
Incubator	-27.030** (9.302)	-0.206	-20.784* (8.445)	-0.158	10.947* (4.371)	0.300
EZ	-21.370* (9.758)	-0.155	-10.530 (8.569)	-0.076	12.407* (5.947)	0.246
RLF	-25.212* (10.983)	-0.162	-17.002 (9.834)	-0.109	5.994 (6.595)	0.106
<i>Firm characteristics:</i>						
Manufacturing <sup>2</sup>						
Years in business at present location			-34.268*** (6.404)	-0.369	-3.770 (2.911)	-0.098
Size of workforce (/t employees 1998)			.02806 (0.098)	.018	-0.08937* (0.042)	-0.131
Owned by multi-establishment firm <sup>3</sup>			-.193** (0.056)	-.243	.277*** (0.023)	.960
Constant	62.135***		70.444***		-7.247* (2.892)	-0.156
R <sup>2</sup>	.071		.325		1.149	
Significance	.006		.000		.775	
					.000	
					2.851	
					.048	
					.072	
					9.101	
					(4.605)	
					-1.467	
					(6.306)	
					10.481	
					(6.439)	
					13.685	
					(7.195)	
					13.548**	
					(4.346)	
					-0.06795	
					(.071)	
					-0.0535***	
					(.010)	
					-1.821	
					(5.092)	
					3.829	
					.216	
					.000	

\* = p < .05, \*\* = p < .01, \*\*\* = p < .001 (two-tailed)  
<sup>1</sup> Data not available  
<sup>2</sup> coding: 1 = mfg. firm; 0 = all others  
<sup>3</sup> coding: 1 = owned by multi-establishment firm; 0 = all others

Table 6. Logistic regression of social indicators on type of assistance and firm characteristics (standard errors in parentheses)

Independent variables	Give \$1,000/year (n=192)		Volunteer 10 hours/month (n=195)		Support local sports (n=190)	
	model 1		model 1		model 1	
	B	Exp (B)	B	Exp (B)	B	Exp (B)
<i>Type of assistance</i>						
Traditional Asst.	.5333 (.3925)	1.7045	1.1268** (.3760)	3.0857	-4.700 (.3686)	-.5057 (.3836)
Incubator	-1.7693** (.6738)	.1705	-7.138 (.8250)	.4898	.6250	.6031
EZ	-.3830 (.5095)	.6818	1.2321* (.5364)	3.4286	-1.0217* (.5151)	-1.0092 (.5314)
RLF	-.8530 (.6020)	.4261	.5390 (.6091)	1.7143	-1.2685* (.6044)	-1.3714* (.6331)
<i>Firm characteristics</i>						
Manufacturing <sup>2</sup>						
Years in business at present location						
Size of workforce (f/t employees 1998)						
Owned by multi-establishment firm <sup>3</sup>						
Constant	.3630*		-.5390**		.7985***	1.1433***
Nagelkerke R <sup>2</sup>	.096		.099		.056	.088
Significance	.0052		.0048		.0474	.0781

\* = p &lt; .05, \*\* = p &lt; .01, \*\*\* = p &lt; .001 (two-tailed)

<sup>1</sup> Data not available<sup>2</sup> coding: 1 = nufg, firm; 0 = all others<sup>3</sup> coding: 1 = owned by multi-establishment firm; 0 = all others

**Table 6 (cont.) Logistic regression of social indicators on type of assistance and firm characteristics (standard errors in parentheses)**

Independent variables	Support local festivals (n=190)		Support other local activities (n=187)	
	model 1	model 2	model 1	model 2
	B	Exp (B)	B	Exp (B)
<i>Type of assistance:</i>				
Traditional Asst.	-4142 (.3718) <sub>1</sub>	.6609	.6470 (.3627) <sub>1</sub>	.4513 (.3820) <sub>1</sub>
Incubator	-1.5322** (.5394)	.2160	.4362 (.5216)	.5950 (.5464)
RLF	-.9933 (.5920)	.3704	.4726 (.5878)	.6296 (.6272)
<i>Firm characteristics:</i>				
Manufacturing <sup>2</sup>				
Years in business at present location				
Size of workforce (k-t employees 1998)				
Owned by multi-establishment firm <sup>3</sup>				
Constant	.8391***		-.3185	-.1976
Nagelkerke R <sup>2</sup>	.073		.026	.066
Significance	.0147		.2956	.2176

\* = p < .05, \*\* = p < .01, \*\*\* = p < .001 (two-tailed)  
 1: Data not available  
 2: coding: 1 = mfg. firm; 0 = all others  
 3: coding: 1 = owned by multi-establishment firm; 0 = all others

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