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Organizing for local economic development: Local economic development networks and capitalist investment in the US city

Wood, Andrew Michael, Ph.D.
The Ohio State University, 1993
ORGANIZING FOR LOCAL ECONOMIC DEVELOPMENT: LOCAL ECONOMIC DEVELOPMENT NETWORKS AND CAPITALIST INVESTMENT IN THE US CITY

DISSERTATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

By

Andrew M. Wood, B.A. (Hons.), M.A.

* * * * *

The Ohio State University

1993

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ACKNOWLEDGEMENTS

I should first like to thank the ninety-five individuals with whom interviews were conducted as part of this study. This dissertation would clearly not have been possible without their generous donation of time and attention. I should also like to thank the Ohio Committee on Urban Affairs for grant monies enabling the interviews to be carried out. Very special thanks go to Kevin Cox for his enduring support, input and encouragement at all stages of this project.
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FIELDS OF STUDY

Major Field: Geography

Studies in economic geography; urban political geography; social science methodology
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CHAPTER I

INTRODUCTION

The Ford Motor Co. decided to locate a two million square foot transmission manufacturing plant near Batavia after the Ohio General Assembly adopted a law giving the firm an estimated $2 million a year tax break on its plant and equipment company officials said Wednesday... (T)he tax bill enacted last week and signed by Gov. James A. Rhodes "tipped the scales" in the firm's decision to locate the $500 million plant in Clermont County about 30 miles from Cincinnati rather than Michigan or any other of several states seeking the plant... Rhodes said state officials made 40 trips to Detroit to talk with Ford officials, including a Nov. 8 trip that included House Speaker Vernal G. Riffe Jr. and Senate Majority Leader Oliver Ocasek... During the news conference, Rhodes introduced many state and local officials who have been involved in planning the project... Rhode's predicted the plant's opening will eventually generate 8,000 to 10,000 jobs in related industries, such as suppliers. He termed the announcement a 'great day for Ohio' and the 'most rewarding I have had as governor' (St. Clair, 1977: B16).

Catalog retailer Spiegel Inc. will be wooed by Columbus with the prospect of possible tax breaks in the corporate franchise tax. A 13-member delegation of city, community and state development officials plans to travel Monday to Spiegel headquarters in Downers Grove, Ill., to lure the retailer to Columbus... The group also intends to offer a mix of tax abatements and job training credits, sources said. Joining the delegation will be Sen. Eugene J. Watts, R-Galloway; Lt. Gov. Michael DeWine; Rep. Mike Stinziano, D-Columbus, and Franklin County Commissioner Dorothy Teater... Spiegel confirmed Wednesday that Columbus is one of four possible sites for a new distribution facility that would employ about 2,000. The sites are Champaign, Decatur and Plainfield in Illinois and an unspecified location in Columbus (Porter, 1992: 1G).
THE OBJECT OF THIS STUDY

The popular press is replete with articles reporting the decisions of companies to invest in particular localities and the efforts to attract these investments. Competition for them is usually characterized as "intense" and local political officials are seen as the key agents in landing investments for their particular constituents.

This dissertation is a study of how this process of capitalist investment is actually mediated in metropolitan areas of the United States. The principal focus is on how, and why, certain agents and organizations become involved in the process of mediation. There is very little prior work directly addressing the concrete material examined in this study. There are, however, a number of existing literatures that help to frame and define the broader contribution of this work.

A persistent focus of this study is the relationship between private interests in economic development (henceforth ED) and the local state. This links the study into the broader literature examining the politics of local economic development (for a review see Jonas, 1992). This dissertation also addresses the organization of local ED activities. Here the link is to the recent

1 In this dissertation the term 'state' is used to refer to all institutions and levels of government. The 'local state' refers to these institutions located at the sub-national scale. The term 'State', on the other hand, refers specifically to the State level of government in the US.
literature on industrial organization and the integration of divisions of labor. The implications of this study for these literatures are addressed in Chapter 5.

In the absence of work directly addressing the mediation of investment, popular and academic literatures have nevertheless, combined to produce a relatively well established image of how investment occurs and the role that different organizations play in mediating that investment. This study suggests that this conventional image is seriously flawed, and no more so than in its treatment of the role of local government.

Arguably the problems in both the academic and popular literatures arise from a narrow and uncritical focus on the most easily observable features of the investment process. The popular media dwell on press releases concerning final location decisions, ground breakings and grand openings. The academic literature is restricted by a focus on the observable characteristics and results of local ED policies. Only occasionally are the processes through which these policies are thought to influence capitalist development brought into question. Rarer still are studies that examine the historical formation of policy and practices or that situate these activities with respect to broader theories of the local state, the dynamics of economic and political change, or the nature of interests in capitalist societies.

This dissertation seeks, therefore, to make a two-fold contribution. First, it serves as a study of a set of concrete activities and relationships that surround
the mediation of capitalist investment in US cities. These practices and the organization of these practices are neglected in the existing literature. Secondly, the study situates these local ED activities within a broader theoretical framework in the attempt to construct an explanatory account of the social mediation of capitalist investment.

REALIST METHOD

The search for an explanatory account of particular practices informs the realist nature of the research design of this study. The contrasts between realist and more conventional philosophies of method are worth exploring at length. Much conventional research in geography, and the social sciences more generally, is based upon a positivist philosophy of science. Positivist work holds observation to be generally unproblematic and seeks to generate theory through a search for empirical invariance. Observation tends to be privileged over conceptualization and quantitative methods are frequently employed in the search for universal laws manifest in the form of empirical regularities.

Yet such empirical regularities can, at best, give only indirect reference to process and change (Sayer, 1984: 94). For once having determined what the invariances are, one still has to identify what produced them. Furthermore, what produces one instance of an empirical coupling of events is not necessarily the same as what produced another. By the same token, the same causal processes
can produce different couplings, depending on the circumstances in which the processes unfold. Explanatory accounts require a causal analysis and this involves an examination of the powers and liabilities of objects which determine their "ways of acting" (Sayer, 1984: 95). These causal powers and liabilities are necessary properties of social objects which they have by virtue of their relations with other objects and can be identified through the process of rational abstraction:

A rational abstraction is one which isolates a significant element of the world which has some unity and autonomous force (Sayer, 1984: 126).

The difference between abstract and concrete concepts lies in the fact that concrete concepts refer simultaneously to multiple aspects of a given object (Morgan and Sayer, 1988: 13). Causal explanations are then generated through the synthesis of multiple abstract analyses, each of which refers to some aspect of the whole. Rational abstraction cannot serve as a substitute for an analysis of the concrete, however, and empirical research involves a continually recursive movement between abstract and concrete in order to examine the interaction of different abstract elements.

Consider as an example, the relation between capitalist firms and waged labor. At an abstract level capital and labor power are locked into an antagonistic relation based on the asymmetry between them in the control of resources. Capital is dependent upon waged labor for the production of a profit, while workers in return, are dependent upon capital for employment, and
therefore wages. Individual capitalist firms that cannot extract a sufficient profit are subject to the liability of bankruptcy. Individual workers who cannot or will not work according to the terms of a capitalist employment relation are subject to unemployment, thereby removing the principal means of their subsistence. These powers and liabilities are necessary features of capitalist economies. However, the distribution of a firm’s surplus, in terms of the balance between wages and profits, is codetermined by powers and liabilities that are the result of other structures. A firm may draw on patriarchal structures for example, in substituting female waged labor in an attempt to reduce wages and enhance profits. The wages paid to women workers are the result of the combination of at least two structures therefore -- patriarchy and capitalism.

There are also important differences between orthodox and realist approaches in ontological assumptions. Where positivism is implicitly premised on an atomistic ontology that focuses on the external or contingent relations between objects, realist analysis seeks to uncover internal relations that mark a necessary relatedness between objects, such as the capital-labor relation. The distinction between necessity and contingency is central to realist analysis. Orthodox approaches tend to conflate necessity with empirical regularity. Social cause is then imputed on the basis of observations that identify outcomes as the result of some regular conjunction of events. Realism, in contrast, seeks to
identify the necessary powers and attributes of the objects in question; features that are given by the nature of the object itself.

Reconsider the example of a capitalist firm and its female labor force. Where a firm reduces its costs through the substitution of women workers it is responding to the pressure to make a profit. The manner in which it responds is a contingent matter however. Alternatives to the substitution of female labor might include investment in machinery in order to raise productivity. The firm may in fact, draw from other weaker segments of the labor force. Should the firm substitute minority workers for example, it can capitalize upon structures of race in reducing labor costs. Note that racism and patriarchy are structures contingent to capitalism. None of the three are a necessary condition for the others.

The focus of this study on the relations between different agents is important in a realist context therefore. The development of a particular structure of relations between ED agents is important in defining the means by which investment is mediated and the particular role that different agents play in this process of mediation. These roles are necessarily entailed by the structures within which they are embedded. The role of the individual worker for example, and their attendant causal powers and liabilities, are based upon the structures by which those roles are defined, such as the capital-labor relation. It is through their relations to others, that agents can be accorded the necessary interests that
form the basis for an explanatory account. The interest of the individual capitalist in extracting a profit, for example, is the product of that individual's competitive relation with other capitalists. Where capitalists fail in this respect they face the liability of bankruptcy, as a result of their competitive relation to other capitalists.

The threat of bankruptcy is a necessary aspect of capitalist competition therefore. This identification of necessary features allows for a distinction to be made between the essential and the incidental characteristics of particular objects (Sayer, 1984: 82). Causal claims can then be made in reference to these abilities or powers. Note however, that causal claims refer to what an object is like and what it can and cannot do rather than what it will do in any particular situation (Sayer, 1984: 95-96). The symmetry between prediction and explanation, central to positivist research, is broken. The exercise of causal properties is seen to be dependent instead upon conditions whose presence and configuration is contingent. These conditions are not themselves uncaused but rather caused by a different set of causal mechanisms. The relationship between events and objects is seen to be far more complicated, therefore, than the mechanical cause and effect relationships allowed for by empiricist and positivist research philosophies.

It follows from the above, for example, that:

(t)he operation of the same mechanism can produce quite different results and, alternatively, different mechanisms may produce the same empirical result (Sayer, 1984: 99-100).
Consider a case in which a firm is forced to respond to the implementation of new production techniques by a competitor. The firm must restructure in order to avoid the liability of bankruptcy inherent in the causal structure of capitalism. How it responds, however, is likely to be determined by a set of contingent conditions. The firm may be able to simply imitate the new production methods. If, however, the production techniques are not transferrable, as a result perhaps of patent protection, then the firm must find other ways of responding. The firm may be able to tap 'cheaper' labor supplies, in the form of a newly-arrived immigrant group perhaps. What is necessary in this case in a restructuring that results in the establishment of a competitive rate of profit. Should the firm tap cheaper labor sources it may find over time that it becomes 'locked' into this particular strategy. The dominant form of communication between workers may gradually change to the language of the immigrant group for example. The supply of particular immigrants may now be a necessary condition in sustaining profits. The firm is then dependent upon a set of other causal structures that enable the reproduction of immigration, most notably the legislation allowing immigration of the necessary kind.

On the basis of the various ontological and epistemological differences between realism and other philosophies of science a distinction can be made between intensive and extensive research methods. Extensive methods are associated with orthodox research designs and include techniques such as
inferential statistics and the gathering of coded data using standardized questionnaires. Such measures are used to gauge the common properties of a population and the general extent of a particular phenomenon. Intensive research techniques are designed instead to locate causal mechanisms and to examine the exercise of those mechanisms in particular contexts. Intensive research methods tend to be of a qualitative nature and include the historical reconstruction of events and interactive interviews with key participants.

There are other important differences in the two approaches. Extensive methods are generally applied to data that is formally 'representative' of a wider population for example. Yet the objects that comprise the sample may have no substantial or causally-relevant connection to one another. Intensive research methods apply to groups that may or may not be 'representative' of a wider population but research objects are selected on the basis that there is causally significant interaction between them. Indeed where causal groups and causal interactions are substantiated through empirical research, testable explanatory accounts can be constructed.

This dissertation makes very limited use of extensive research methods. Instead the interviews from which the bulk of empirical material is drawn are of an intensive nature (Sayer, 1984; Sayer and Morgan, 1985). Although the interviews did elicit some standard information for comparative purposes the
primary aim was to identify the reasons for particular practices and the contingent conditions significant to those practices.

Realist research is sensitive to the fact that meanings, ideas and beliefs are constitutive of social action. While the 'open' nature of social systems is often seen as problematic for research, the researcher has the advantage of 'internal access' to the objects of analysis, given the intrinsic communicative and reasoning abilities of human subjects. Through unstructured interviews agents have more scope to express the meanings, beliefs and ideas that underpin particular social practices. These meanings, ideas and beliefs are inevitably concept-dependent. Realist method recognizes further, that the interpretation of these meanings and beliefs on the part of the researcher is itself a concept-dependent exercise. Intensive methods explicitly acknowledge this 'double hermeneutic' nature of social research therefore, enabling the researcher to stand in a critical relation to the object of analysis (Sayer, 1984: 37-38).

Realist arguments have a very general applicability across the social sciences and in the past decade or so realist work has become increasingly commonplace within geography (Allen, 1983; England, 1993; Massey et al., 1992; Morgan and Sayer, 1988; Cox and Mair, 1988). In the case of this particular study the problems of orthodox research, alluded to above, are particularly acute. Recall that traditional positivist methods focus on the directly observable features of social phenomena, treating observation and the recording
of events as a relatively unproblematic exercise. In the process of mediating investment however, many of the practices and relationships developed by ED agents are very deliberately shielded from public view. Information about potential investments, for example, is likely to circulate among a very limited number of agents each of whom is expected to maintain the confidentiality of the information:

One of the major areas of etiquette of the ED profession is the agreement that every project you approach is done in confidentiality, because most major projects... will demand and require confidentiality (Chamber official, July 1992).²

This issue is explored at some length in later Chapters. Suffice to say at this stage, however, that this generalized norm of protecting confidentiality ensures that many practices and events surrounding the mediation of investments remain undocumented. The relationships between agents and the role of different agents in mediating investments are only truly accessible through the oral accounts of the particular agents involved. These accounts are elicited through interviews of an intensive nature.

² In order to protect the anonymity of respondents quotations used in this dissertation that are drawn from primary research will not be fully attributed. Respondents are identified only by the nature of their organizational affiliation.
Description of the Research

The empirical material presented in the following three Chapters is drawn primarily from the interpretation of interview transcripts. Intensive interviews were conducted with individuals representing interests having major institutionalized stakes in local ED in each of four major metropolitan areas in the State of Ohio -- Cincinnati, Cleveland, Columbus and Dayton. The study areas are shown in Figure 1. Interviewees are listed in Appendix A and are affiliated with: business organizations; investor-owned electric and gas utilities; private commercial and industrial realty and development companies; county and city ED departments; and local branches of the State of Ohio's Department of Development (hereafter DoD). A number of additional interviews were conducted with agents determined to be important in mediating investments in particular contexts. These include ED consultants and ED staff with railroads, telephone companies; municipally-owned electric utilities; neighborhood organizations and local non-profit financing agencies.

As a first step the study identified the principal ED agents in each of the four metropolitan areas. A core set of ED agencies was included in each case: the area's metropolitan-wide chamber of commerce; the ED division of the central city; the equivalent for the central urban county; and the ED division(s) of the region's investor-owned gas and electric utilities.
FIGURE 1: The Four Study Areas
In light of the metropolitan focus of this study interviews were also conducted with business organizations and local governments in suburban and peripheral jurisdictions within the four metropolitan areas. Given the significant number of independent political subdivisions within each metropolitan area a 'sample' of suburban and peripheral ED organizations had to be constructed. Two alternatives were considered in designing this part of the study population. The first was to seek, in conventional fashion, as wide a 'representation' of suburban and peripheral areas as resources would allow, by limiting the sample to a single organization, whether a chamber of commerce or city or county ED department, in each chosen municipality. Given the significance to this research of establishing the nature of the relations between local ED agents this strategy was discarded. Instead, the study incorporates a more limited number of geographic areas allowing for interviews to be conducted with a wider range of substantially connected ED agents in each locality. This strategy has the further critical advantage of enabling the corroboration of evidence about relationships between different ED agents and the role of particular agents in mediating investments.

3 Suburban areas are those that lie either outside the central city but within the central urban county or within adjacent counties but are essentially contiguous to the principal incorporated urban area. Peripheral areas lie beyond the central urban County and are essentially free-standing from the principal incorporated urban area.
The determination of suburban and peripheral localities was made in conjunction with the identification of active ED organizations. There is no single comprehensive directory of local ED organizations in Ohio and the list was assembled from various sources. An initial listing was drawn from the 1991-1992 membership directory of the Ohio Development Association, a non-profit organization of professional ED practitioners representing public and private ED organizations in the State (Ohio Development Association, 1991). This list was further supplemented by the 1991 Chambers of Commerce in Ohio: Directory (Ohio Chamber of Commerce, 1991) and a listing of the 1991 members of the Ohio Economic Development Council (hereafter the OEDC), a State-wide organization of private ED interests. Unlike more conventional sampling techniques, this study was not averse to eliciting suggestions for further interviews from the respondents themselves, a technique generally referred to as 'snowball sampling'. This furthered the attempt to ensure that the agents studied are substantially connected in some fashion.

Interviews were completed with ninety-five individuals representing ninety ED organizations. The interviews ranged from a minimum of forty-five minutes to a maximum of three hours and fifteen minutes. It should be noted that the response rate to requests for interviews was excellent. In only a handful of cases did individuals either decline to participate in the study or fail to respond to multiple written and telephone contacts. Each organization was
provided with a brief synopsis of the project in order to identify the appropriate individual(s) for interview. In most cases interviewees served as the executive director or divisional head of the participating organization. In the remainder of cases interviews were conducted with the staff member(s) most actively involved in the actual concrete mediation of capital investments. Table 1 provides a summary of the type and general location of the organizations represented in the study.

**TABLE 1: Profile of Participating Economic Development Organizations**

<table>
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<tr>
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<th>Cleveland</th>
<th>Columbus</th>
<th>Dayton</th>
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<tr>
<td>State</td>
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<td>1</td>
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<tr>
<td>Others</td>
<td>2</td>
<td>1</td>
<td>2</td>
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| Total       | 17         | 21        | 25          | 24       |

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4 Study also includes three organizations of State-wide extent.
OUTLINE OF THE DISSERTATION

This study of the social mediation of capitalist investment is framed by two sets of questions:

1. Who participates in the social mediation of capitalist investment and what roles do different agents play?
2. What are the relations between the activities of different mediating agents?

Conventional studies of local ED focus attention upon the role of local governments and particular local government agencies in the attraction of investment. Yet generally, these organizations have only a relatively recent institutional presence. Their entry into the ED arena is actually preceded by a range of other organizations with an institutional stake in local ED that have drawn very little academic attention. Railroad companies of the nineteenth century were the earliest pioneers of the practice of attracting capital, establishing area development divisions charged with bringing industry to rail-served sites. Chambers of commerce have also long been active in seeking to attract external investments. Many investor-owned utilities (hereafter IOUs) have also maintained ED departments from the early part of the twentieth century and banks and other financial institutions have been similarly active in the attraction of private capital investment into relevant service areas. A brief history of these ED agents is presented in Chapter 2. The main focus of Chapter
2 is the range of current activities undertaken by different ED agents in the mediation of investment. This Chapter addresses the logic underlying an interest in local ED on the part of ED agents, the range of their current activities, and the various capacities of agents that account for the contemporary division of labor in local ED.

The second set of questions, concerning the manner in which these agents and their practices relate to one another, is addressed in Chapter 3. Of principal interest here is the extent to which, and the manner in which, these separate labors are coordinated. Chapter 3 examines a number of general problems of integrating divisions of labor and their specific expression in the case of local ED activities. Possible means of integrating the division of labor in local ED are explored and an argument is presented that market structures are inappropriate in this case. Furthermore, vertical integration, though a possibility, is not the necessary solution to the problem of integration. The evidence suggests instead that the division of labor is integrated through local ED networks of trust relations.

Chapter 4 examines further the trust relations through which the division of labor is integrated. Tensions remain embedded within local ED networks however, and Chapter 4 examines the practices used to reproduce networks in the face of tendencies to undermine integrative structures. Where latent tensions are manifest local ED networks are liable to fail and an illustration of network
failure is provided in Chapter 4. Chapter 5 provides a summary of the
dissertation and examines a number of existing literatures and concepts in light
of the findings of this study.
CHAPTER II
THE DIVISION OF LABOR IN LOCAL ECONOMIC DEVELOPMENT

INTRODUCTION

The purpose of this Chapter is to examine the contemporary division of labor in local ED. First, however, some context is provided in the form of a brief history of ED agents and their activities. Contrary to the existing literature, considerable emphasis is placed here upon the activities of private ED agents and their role in harnessing state powers to bring about local ED.

Underlying the concern for local ED are various immobilities that attach agents to a particular locality of interest. These immobilities provide the material basis for an interest in local ED. This Chapter explores the various forms of these immobilities for each set of ED agents. A general interest in local ED cannot, however, directly explain the particular roles that each of these agents play in the attempt to attract capital into its particular locality of interest. This Chapter explores the diversity of roles that are adopted in the process of mediating the investment of external capital. An attempt is then made to explain
the assignment of roles on the basis of the conditions that facilitate the particular specializations of different ED agents.

**A HISTORY OF ECONOMIC DEVELOPMENT AGENTS AND THEIR ACTIVITIES**

In each of the four study areas a common set of interests with institutionalized stakes in local ED is engaged in the attempt to attract business investment into the locality. In the case of business organizations and the investor-owned gas and electric utilities ED activities have considerable longevity. A report of the activities of the Cincinnati Industrial Bureau, an organization supported by voluntary contributions from 250 individuals and companies, notes the following:

The year 1910, the tenth in the life and history of the Cincinnati Industrial Bureau, has been a most active one. As heretofore, and as always must be, the first thought and aim has been the development of the city's growth by the addition of new industries... And by such addition, increasing the tax duplicate, enlarging the volume of manufactured product, swelling the population and adding to the amount of money in circulation (Goss, 1912: 361-362).

The Cincinnati Gas and Electric Company established a formal ED responsibility in 1928 and in 1948 launched a national advertising campaign to attract industry under the banner "Cincinnati - The Closest City to America". During the eight years of the campaign:
259 manufacturing plants entered the area, 884 industries expanded their facilities, and 54,000 new jobs were created (Cincinnati Gas & Electric Company, nd: 13).

Formal ED activities on the part of the IOUs and chambers in each of the other metropolitan areas have a similar longevity. The Cleveland Board of Trade, later the Greater Cleveland Growth Association, had established an Industrial Development Committee prior to 1915 to provide prospective manufacturers with locational assistance (Sturges, 1915: 164-166). Mair (1987) notes that the Columbus Board of Trade, later the Columbus Area Chamber of Commerce, was engaged in a similar set of activities by the 1880s.

In each case these agencies sought, through regional and national advertising, to attract new industrial facilities into their respective service territories. Yet, there is little systematic history of these ED activities for either the four metropolitan areas considered in this study or for the US more generally. The evidence available tends to be restricted to particular individual organizations (Wright, 1957; Rile, 1958) or to specific regional contexts (Cobb, 1982; Lepawsky, 1949; Ross, 1951).

Nonetheless, there are a number of indicators that point to a general growth of ED activities and the associated emergence of an ED profession in the first half of the twentieth century. The American Industrial Development Council was formed in the 1920s and the Society of Industrial Realtors was established in the early 1940s in Chicago. Another development organization active at the
same time was the American Railways Development Association, a body comprised of railroad industrial developers and agricultural agents (Collison, 1977).

The nineteen thirties marked the formal entry of State governments into the ED arena. A number of programs of industrial promotion were established, notably in the States of the American South. These early schemes to attract mobile industry were led by Mississippi’s "Balance Agriculture with Industry" (BAWI) plan established in 1936 (Prince, 1961; Hopkins, 1944). Other Southern States quickly followed suit (Silver, 1965; Cobb, 1982; Ross, 1951; Lepawsky, 1949).

Although lodged at the State level, promotional ED programs were largely driven by business interests tied to particular localities at the sub-State scale. Banks, IOUs and railroads are especially important in this respect (Ross, 1951; Hopkins, 1944; Prince, 1961; Cobb, 1982). These interests harnessed state powers but not at the local level. Local governments generally lacked the necessary fiscal capacity to sell the bonds issued in the attempt to attract capital. Only the States could truly guarantee the viability of these early speculative schemes.

Southern ED strategies were generally predicated upon, what James Cobb (1982) has termed, the "selling of the South" to Yankee capital (also Stokes, 1937). In this respect it was the expansion of branch plant manufacturing into
the American South, as part of the post-1930 territorial expansion of Fordist production that provided the vehicle for Southern industrial strategy (McLaughlin and Robock, 1949). As the spatial division of labor was remade, via the integration of the South, an essential connection was perceived between industrial expansion and local activities to promote ED:

For generations lack of opportunity was accepted, like drought or a warm summer... Occasionally and fortuitously, like the rain that breaks the drought, a plant would come to town and grow and suddenly there was opportunity at hand. The realization that plant location decisions of great and remote corporations were decisions that could be influenced by community activity did not become widespread until very recently (Carlebach, 1957, cited in Moes, 1962: 44).

Harnessing State programs and guarantees, local interests in numerous towns and cities replicated efforts to capture their own share of industrial expansion. Local ED efforts during this early period were rudimentary and State programs were generally limited to the provision of financing and/or facilities to firms prospecting for sites for expansion or relocation.

Commonly missing from historical accounts of these State initiatives is any allowance for the parallel development of private ED activities and the continual harnessing of State resources by private agents. IOUs, local chambers of commerce, railroads and banks were the principal advocates of the allocation of State resources to industrial promotion. Through their own private efforts on the one hand, and in conjunction with the authority of state agencies on the other, this cluster of interests formed a stable coalition capitalizing upon the
locational mobility of capitalist production. In their pursuit of industry Southern interests lauded the "hospitable" and "amenable" character of local communities and were repeatedly successful in landing manufacturing plants (McLaughlin and Robock, 1949). Between 1936 and 1962, for example, Mississippi towns were successful in raising funds under the State's program to provide financial assistance for 214 new manufacturing plants and 102 plant expansions (Area Digest, 1964: 30; Prince, 1961: Appendix).

These early promotional efforts were clearly shaped by the concrete economic conditions prevalent in the American South. Despite heavy out-migration, labor power was in abundant supply and the collapse and consolidation of agriculture had reduced alternative forms of subsistence:

Every factor of a low-wage situation was present in these communities: the protracted history of general impoverishment, the large labor surplus, the lack of alternative employment other than that of the WPA, the lack of industrial experience and training of the labor, and the absence of any legal or organizational floor under wages (Hopkins, 1944: 30).

The context of reduced labor costs and conciliatory State and local governments is important, for this provided the template for the generalized vigorous inter-locality competition for industry that followed.

Hopkins notes that: "(s)o marked was the phenomenon of industry on wheels in that period (the 1930s) that a form of brokerage had developed, designed to bring together client companies on the one hand and subsidy-offering communities on the other" (Hopkins, 1944: 12).
Whatever the actual merits of the argument, Southern industrial growth was increasingly attributed to the aggressive promotional programs of the Southern States. Accordingly, local governments elsewhere were driven to adopt counter measures. The passage of development bonds used to finance industrial projects, termed industrial development bonds (IDBs), provides an illustrative example. In 1948 only Mississippi authorized the use of IDBs. By 1963 twenty-five additional States had authorized their use and by 1973 all but four States had IDB programs (Hellman et al., 1976). Yet, there was obviously more to Southern success than the provision of cheap or free land and buildings and generous industrial financing. Southern business elites had also tied their development strategy to a highly asymmetric relationship between capital and labor. As Fordist production came to the South it was essentially shorn of the attendant framework of Fordist regulation that had hinged rising productivity to increasing wages.

Southern advantage could have been substantially undermined through the 'nationalization' of labor and welfare policy and the resulting standardization of benefits. But Southern Congressmen were aware of such a threat and attempts to nationalize policy were repeatedly derailed by these representatives (see Bensel, 1984: 300-311). In the context of decentralized labor and welfare policy competition for mobile investment could only intensify (Goodman, 1979). Indeed, through the nineteen-sixties many States joined in the vigorous
competition for industry by restructuring tax and regulatory regimes in a manner favorable to business interests (Gold, 1987; Benson and Johnson, 1986). This competition was formalized in the late nineteen-seventies in rankings of State 'business climates' (Warner, 1987; Carlson, 1988). The State of Ohio launched one of the more aggressive campaigns, heralding its low tax rates as proof that 'profit is not a dirty word in Ohio' (see Ohio Development Department, 1964, original emphasis).

THE INTEREST OF AGENTS IN LOCAL ECONOMIC DEVELOPMENT

In the focus on State programs and inter-State differences in their "business climate" the existing literature tends to underplay the role of private agents in the development and implementation of ED policy and in the determination of different policy regimes. As previously noted, the history of state ED practices is, in fact, closely intertwined with that of private ED agents. In the language of state theory, this cluster of private ED agents provides the principal social base for local state intervention (Jessop, 1990).

This Chapter examines the various concrete tasks undertaken by different private and state ED agents in the attraction of capital. First, however, the logic underlying their interest in local ED must be understood. Three principal organizations are integrated into the process of attracting investment into each of the four metropolitan areas that comprise this study: investor-owned gas and
electric utilities; chambers of commerce; and the ED departments of local governments.

**Local dependence and the material basis for an interest in local economic development**

In each case the interest of these organizations in local ED stems from their local dependence, or their attachment to a locality:

...that results from the relative spatial immobility of some social relations, perhaps related to fixed investments in the built environment or to the particularization of social relations (Cox and Mair, 1989a: 142).

The concept of local dependence is useful in explaining why certain interests act to promote or enhance the economic status of local areas.

Cox and Mair argue that various firms, individuals, social groups and state agencies are effectively immobilized in space, giving each a defined locality of interest. Through their immobility interests are susceptible to the place-specific devaluation that results from geographically differentiated "rhythms of accumulation" (Harvey, 1982: 427; Cox and Mair, 1990: 6). Local dependence stems from two sources of immobility. The first lies in the fixity of investments in the built environment which are amortized only after lengthy periods of time (Harvey 1982; 1985). The second source of local dependence lies in the non-substitutable nature of certain exchange relations:

Local dependence may result from a certain non-substitutability of local exchange linkages when it is advantageous that buying and selling
relationships be characterized by stability over time. The development of predictability, trust, brand loyalties and unique local knowledge all encourage stable relations with particular customers and suppliers in particular places (Cox and Mair, 1988: 308-309).

Firms that are locally dependent may attempt to mitigate the liability of place-specific devaluation through a variety of strategies designed to offset or externalize the threat of devaluation (Cox and Mair, 1988: 308-312). Renting facilities, the development of multilocalional structures, diversification of investments and franchising are market strategies that are designed, in one way or another, to mitigate a firm’s dependence upon a particular locality. State investments in infrastructure similarly serve to reduce the local dependence of the capitalist firm. Yet despite such mitigating strategies the problem can never be fully eliminated:

Local dependence per se will not go away. The firm that rents facilities transfers its local dependence to the owner of the property. Rather than making a firm independent, multilocalionality is merely a temporary and scale-specific remedy. It only reconstitutes local dependence at some broader geographic scale; the firm may exchange its metropolitan-scale local dependence for a regional or national-scale dependence. Just as immobile investments are necessary to capitalism (Harvey, 1982: 379-380), local dependence appears to be a necessary attribute of the capitalist economy (Cox and Mair, 1988: 309).

Locally dependent interests are locked into a localized set of social relations that accord them an acute interest in safeguarding the revenue that flows through these relations. Given the volatile and speculative nature of capitalist development the security of revenue flows is rendered problematic (Cox and Mair, 1990: 6; Storper and Walker, 1989). In the attempt to defend
existing complexes of relations, interests that possess coincident localities of interest will often collaborate through collective organizations such as local business coalitions (Cox and Mair, 1988: 310).\(^6\)

Throughout their discussion Cox and Mair are careful to avoid identifying locally dependent interests with particular scales, such as the urban. Indeed they suggest that the constitution of locally dependent interests or of localized social structures at any given scale is liable to shift with the changing spatial structure of capital:

Within these local business coalitions, changing spatial structures within capital; and thus changing patterns of local dependence, may lead to great historical and geographical variation with respect to the firms and sectors that are most active (Cox and Mair, 1990: 19).

Thus the local dependence of interests is seen to be an historically contingent matter. The relation of social structure to spatial form cannot be determined in abstraction from particular geographies of capital.

Accordingly, the concept of local dependence is applicable across a variety of spatial scales and social activities. The necessity of local dependence in a capitalist economy lends the concept significant explanatory weight. Yet, the precise concrete expression of local dependence, through the immobilities of various interests, is one that can only be determined through empirical

\(^6\) Not all local business coalitions have the goal of attracting capital however. The Santa Clara County Manufacturing Group, for example, is a business organization principally dedicated to restraining the spiralling costs of workforce reproduction in Silicon Valley (Trounstine and Christensen, 1982).
investigation. Moreover, individual interests may be simultaneously locally dependent through a variety of different forms. In this section the forms of local dependence that generate an interest in local ED on the part of the three principal organizations involved in the attraction of capital are briefly outlined.

Utilities

IOUs provide classic examples of firms that are rooted in place as a result of their massive investments in fixed capital (Cox and Mair, 1988; Harvey, 1982). In order to produce revenues utilities must first sink investment capital into the construction of generating and transmission facilities. The recent completion of the Zimmer power plant in Moscow, Ohio, at a cost of $3.3 billion provides some measure of the size of these investments (Bergmann, 1992). The IOUs -- Columbus Southern Power, Cincinnati Gas and Electric and the Dayton Power and Light Company in the case of the Zimmer plant -- are thereafter faced with the problem of amortizing this massive capital investment in fixed plant.

Comparable investment to revenue ratios for various economic activities provide a rough measure of the problem facing the IOUs. Figures supplied by one utility indicate that each dollar of its generated revenue is contingent upon nine dollars of fixed capital investments. Comparable ratios for a typical automobile manufacturer are $1.75, while a typical grocery retailer needs $0.53
in fixed investments for every dollar received. The capital intensive nature of these investments ensures that IOUs take an active interest in the economic fortunes of their service territory:

Utilities have a vested interest. We have to bring new companies in to make money and to share and lower electric costs or gas costs... It's a business for us (Utility official, August 1992).

The problem of fixed investments is further compounded by legislative restraints on the area served by individual IOUs. These restraints take the form of service franchise agreements. The significant cost of entry into utility markets and the related returns to scale from massive fixed investments are commonly seen as the cause of the monopolization of utility markets within particular geographic areas. As "natural monopolies" gas and electric utilities have been regulated by State agencies since the late nineteenth century. The growth of IOU holding companies after 1900 largely bypassed State regulators however, and by 1932 three holding companies controlled nearly fifty percent of the investor-owned electric utility industry. A further thirty-five percent of the market was controlled by the next twelve largest holding companies (Hawes, 1984).

Consolidation of gas utilities had proceeded in similar fashion. In the natural gas industry much tighter Federal regulation of utility operations was introduced by The Natural Gas Act of 1938. Under this legislation the Federal Power Commission, now the Federal Energy Regulatory Commission, was granted mandatory powers of approval for any extension, or abandonment, of
facilities and service. Furthermore, the Federal Power Commission was now empowered to determine the geographic service areas of gas utilities (Phillips, 1988).

In the case of the electric utility industry, concentration of control in the form of holding companies was effectively limited by the Public Utility Holding Company Act (PUHCA) of 1935 (Burns et al., 1986; Phillips, 1988). The PUHCA placed strict limits on the ability of utilities to invest in other utilities or in non-utility activities while also controlling investments in utilities by large non-utility interests (Elmer and Mazo, 1982). There are some indications that recent technological and legislative changes have enabled a greater diversification on the part of IOUs into non-utility sectors but they continue to be faced by the problem of amortizing significant investments in fixed infrastructure (Burns et al., 1986; Squadrilli, 1986; Yoder and Rose, 1989). Indeed, figures indicate that the cost of retrieving the value locked up in new generating and transmission facilities has been increasing since the mid-nineteen-seventies (Barkovich, 1989: 30).

7 Mergers of IOUs must gain the approval of both Federal and State regulators in each State in which the IOUs operate. PacifiCorp’s takeover of Arizona Public Service launched in 1989, for example, required approval from eight separate State regulatory commissions in addition to Federal authorities (Yoder and Rose, 1989).
Chambers of Commerce

The interest of local chambers of commerce in ED is more complex than that of the IOUs, given the wide range of business interests that claim chamber representation. Although chambers themselves have a direct interest in ED as a means of generating additional members and dues, their interest is more properly seen as an expression of the collective interest of selected chamber members. Principal among these are real estate developers and brokers, and the aforementioned utilities. A range of additional business interests are typically supportive of chamber initiatives in ED, however, and these include: local financial institutions; legal and accounting firms; hospitals; local newspapers; and a cluster of firms connected to property development, such as architectural firms and construction companies. The fortunes of each of these interests is, to a significant extent, hinged to the growth trajectory of the local economy (Cox and Mair, 1988; Harvey, 1982; Logan and Molotch, 1987).

In several of the chambers examined in this study member firms are encouraged to provide additional support for ED beyond their regular membership dues. Indeed, in a number of cases ED activities are supported entirely by dedicated contributions rather than general membership fees. The profile of support for these dedicated programs provides a good measure of the nature of support for ED activities more generally. One chamber program is structured so that developers contributing at least $2 000 to the ED fund sit on a
committee that examines all inquiries by firms looking for investment sites in the area:

The funding for our ED (program) comes from some of our developers in the County who have a vested interest, and they have their own money in the County ...to sit in on the (ED) Committee would cost... $2,000 a year or more... most of them have made their investment many times over by our efforts (Chamber Director, February 1993).

Marketing materials produced by the Clermont County Chamber of Commerce are sponsored by an archetypal set of parties with an interest in local ED -- Tipton Associates, Cincinnati Gas and Electric Company, Duke Associates and Cincinnati Bell Telephone. Tipton and Duke are large real estate developers with significant holdings in the County.

There are a number of similarities in the source of local dependence of developers and IOUs. Both are immobilized through fixed assets that cannot be transferred to other locations. For IOUs the long turnover time of invested capital ensures a long term interest in the development of the local economy. In the case of real estate developers the fixity of assets is likely to be shorter term and interest in the locality will move in tandem with the development cycle. Greatest concern will be expressed during the actual development of a land holding but will subsequently wane with its sale. In many cases, however, developers continue to lease buildings thereby ensuring a longer term interest in the locality.
There are also differences between IOUs and real estate developers in the nature of their fixity. For developers local dependence is more than just the result of immobile assets. While developers may be able to spread risk through developments in different markets there are important counter tendencies that lend themselves to the geographic localization of investments. Developers are tied into localized networks of information exchange that enable them to assess risk before purchasing or developing land. Real estate brokers are tied into a similar set of localized information networks (Stevens, 1984; Beaverstock et al., 1992). Developers also construct stable relationships with favored builders and construction firms, architects, land-use attorneys and financiers. In short, real estate developers are tied into a set of localized exchange relations that effectively immobilize them within certain localities.

Developers and utilities are ever-present supporters of local ED activities on the part of both local and metropolitan chambers of commerce. The Columbus Chamber's 'Discover Columbus' campaign, initiated in March 1985, drew more than $1.25 million from the local real estate industry (Christie, 1986: 28). A further contribution of $400 000 was made by twenty-eight of the city's largest legal and accounting firms. Local financial institutions were also identified as important supporters of local ED by many chamber officials. In this
case interest in local ED stems from their hold of local mortgage debt (Harvey, 1985: 149) and traditional restrictions upon geographic expansion.\footnote{These restrictions have been significantly relaxed over the past decade (Holly, 1987).}

The multiple nature of the local dependencies that drive the ED activities of chambers is reflected in the wide range of activities undertaken by their ED divisions. Attempts to attract capital tend to "target" a variety of industrial sectors, while other programs are designed specifically for small businesses and existing firms within the locality. The Greater Cleveland Growth Association, for example, has identified four target sectors for its recruitment effort: advanced machinery and metal working; polymers; medical products/biotechnology; and corporate headquarters. The latter two are of only moderate interest to the IOUs given their principal concern with gas and electric loads, and hence the focus on the recruitment of manufacturing industry.

\textbf{Local Governments}

The stake of local governments in ED is largely one of a tax base nature. Typical concerns include the fiscal health of local school districts, the need to retire the bonds sold for infrastructural improvements, and the need to maintain a balance between residential and non-residential portions of the tax base.
(Eyestone, 1971; Kehres, 1981). In the latter respect ED activities are often seen as an alternative to politically unpalatable tax increases.\(^9\)

These tax base concerns are likely to have intensified through the 1980s as a result of the general decline in inter-governmental revenue transfers. Per-capita aid to local governments dropped by over three percent per year, in real terms, between 1980 and 1986. Meanwhile, State and local government reliance on Federal aid has fallen from thirty-four percent of own-source revenues in 1978 to twenty-three percent in 1986. Grants to local governments have declined at an even faster rate of ten percent per year from 1980 to 1986 (Bahl and Duncombe, 1988; Wolman and Goldsmith, 1992; Hoggart, 1991).

The heavy reliance of local governments upon locally-derived revenues makes an interesting contrast with local governments in other advanced capitalist states. Table 2 compares the revenue sources of local governments in England and Wales with those for US local governments.

\(^9\) The comments of one service director of a Columbus suburb are particularly germane: "attracting business is the only way to provide the services the people demand without taxing the daylights out of them" (quoted in Kehres, 1981: 1C).
Table 2 illustrates the lesser reliance of local governments in the US on intergovernmental grants. US local governments are also capable of tapping a wider diversity of tax sources. In eleven States, including Ohio, local governments are able to levy income taxes and in twenty-eight States local governments can also levy a sales tax additional to the State sales tax (Wolman and Goldsmith, 1992). The redistributive nature of central government grants in Britain has also offset pressures for local ED. Until very recently at least the central state grant to local governments, through a mixture of 'resources' and 'needs' elements, sought to compensate local governments for local economic decline while reducing support to localities experiencing economic growth.
Recent changes in the structure of local government finance in Britain have further diminished the revenue-based incentive for local ED that is so prevalent in the US. In 1990 the responsibility for setting the business property tax rate was shifted from local to central government with the introduction of a uniform national business rate. Revenues are still collected by local governments but are pooled nationally and then redistributed to local government in proportion to their adult population (Wolman and Goldsmith, 1992: 111). Revenues from any increase in the business tax duplicate are thereby socialized at the national scale. The incentive for local ED in terms of tax base effects is therefore, substantially undermined.  

THE DIVISION OF LABOR BETWEEN ECONOMIC DEVELOPMENT AGENTS IN METROPOLITAN AREAS

Consider now the concrete tasks undertaken by different ED agents in relation to business attraction. The evidence from the interview transcripts points to a common pattern in each metropolitan area. Respondents generally identified four distinct aspects to the process of attracting external capital investment:

10 The introduction of the uniform business tax rate in the UK provides a further interesting contrast with the US case. Where local governments in the US may manipulate the local business tax regime in order to provide a more favorable "local business climate", this option has been effectively removed from British local governments.
1. the securing of leads
2. assistance in the location search
3. the provision of sites
4. the furnishing of location incentives and services

A note on the terminology used in this dissertation is warranted at this point. A critical set of transactions between ED agents involves information about potential new business investments in the locality. These potential investments are referred to by ED agents as prospects and information about these prospects is referred to as leads. Leads may subsequently develop into concrete investments, and the process by which agents are coordinated in order to try and bring this about, is termed an ED project.

Utilities

Investor-owned gas and electric utilities play a role in each of the four facets of business attraction. Each of the six IOUs examined in this study maintains a professionally staffed division dedicated to ED. Three of the six

11 A distinction needs to be made here between IOUs and municipally-owned electric and gas utility systems. In a number of the localities considered in this study electricity and gas are supplied by municipally-owned utilities. Hamilton, Ohio is the only case in which the city generates and distributes both gas and electricity. In Cleveland, Columbus, Piqua and Painesville, industrial, commercial and residential customers may be served by the City’s electric utility system. The relationship between IOUs and the municipal utilities is taken up in detail in Chapter 4. Note at this point, however, that municipal systems supply fairly limited service areas that are entirely enclosed by IOUs.
IOUs maintained active divisions prior to 1944. Accordingly, the utilities have developed considerable expertise in facilitating the location, within respective service territories, of new industrial plants.

Leads arrive through a number of different channels. Advertisements in trade publications are designed to generate direct inquiries from firms looking for sites but leads are also referred to the IOUs from four other major sources: location consultants; the State’s Department of Development; metropolitan chambers of commerce within the IOU’s service area; and existing firms within the region in regard to subsidiaries or suppliers.

IOUs have also developed expertise in assisting with the location search itself. The Cleveland Electric Illuminating Company, for example, claims to have assisted more than 600 companies locate nearly 1,000 plants within its service territory since 1946. Expertise in site selection assistance is particularly well developed in the case of industrial prospects given their heavy gas and electric demands.

Two of the IOUs that participated in this study -- Columbus Southern Power and the Cleveland Electric Illuminating Company -- have also been directly involved in the provision of industrial sites, although these activities are subject to the scrutiny of Federal and State regulatory agencies. The subsidiary activities of IOU holding companies, such as American Electric Power, are restricted by the Securities and Exchange Commission (SEC). Indeed, one of the
SEC restrictions upon the merger of Columbus Southern Power with American Electric Power in 1980 was that Columbus Southern Power divest itself of its industrial sites. These real estate activities were judged to be neither "reasonably incidental" nor "economically necessary or appropriate" to the holding company's utility operations and therefore, in violation of the PUHCA (Burns et al., 1986).12

Several of the IOUs also provide locational incentives in the form of a discounted utility rate for new users. From 1986 to 1992 the Dayton Power and Light Company provided a three-year, twenty percent discount on energy rates for new firms employing ten employees or more.13 In the case of large projects the IOU may also bear some of the cost of moving transmission facilities or providing additional line or cable capacity.

Chambers of commerce

Chambers of commerce in the four metropolitan areas vary considerably in their promotion of local ED. Nevertheless, the specifically metropolitan-wide

12 The regulation of IOUs and their subsidiaries is notoriously complex. Some measure of this complexity can be seen in Burns et al.'s (1986) survey of State practices. In Ohio subsidiary activities are investigated on a case by case basis by the Public Utilities Commission of Ohio to the extent that they enter into the determination of rate requests.

13 For comparable incentives provided by IOUs elsewhere see various issues of the National Regulatory Research Institute's Quarterly Bulletin (Vol 7 387-388; Vol 8 269; Vol 12 129 for example).
chambers in all four metropolitan areas -- the Columbus Area Chamber of Commerce, the Dayton Development Council,\textsuperscript{14} the Greater Cincinnati Chamber of Commerce and the Greater Cleveland Growth Association -- are extremely active in attempting to generate new investments. Through its Blue Chip campaign the Greater Cincinnati Chamber of Commerce has raised nearly $10 million in the past decade for its economic development program. The Chamber expects to raise a further $8 million for the third five year phase (1994-1999).

Each of the metropolitan chambers regularly makes domestic and international "prospecting trips" in the attempt to generate leads and these often involve other local ED agents (Franklin, 1988). In 1989 for example, the Columbus Chamber made three prospecting trips to Southeast Asia, three to Western Europe and one visit to Mexico. Domestic trips are made on an even more frequent basis.

We go twice a month to Chicago and monthly to New York City, Texas and California. We are trying to interest companies into relocating or starting branches in our area (Columbus Chamber Vice Chairman for ED, quoted in Sohovich, 1989: 5B).

Chamber ED staff also participate, with the major IOUs, in trips organized by the Ohio Economic Development Council (OEDC) - a major State-level ED

\textsuperscript{14} The Dayton Development Council serves as the economic development arm of the Dayton Area Chamber of Commerce.
organization, and each council member is committed to at least two domestic trips per year.

    Extensive marketing programs form a second important component of the ED activities of these larger chambers. Phase II of the Greater Cincinnati Chamber's Blue Chip Campaign allocated over $400 000 annually to national ED marketing. Since 1983 the 'New Cleveland Campaign', funded by private contributions, has spent approximately $1 million per year on general advertising of the Cleveland area. In addition, the Greater Cleveland Growth Association places targeted advertisements in trade publications and ED periodicals.

    Through their prospecting trips, marketing programs and referrals from both individual chamber members and the State's DoD, the metropolitan chambers examined in this study are a second important channel of lead information. However, and importantly, the composition of the leads obtained by the chambers differs from those captured by the IOUs however:

    Our base is probably a little broader in terms of the types of businesses involved. The utilities are more likely to see manufacturing on a client list. We're gonna see a mix in ours. We're gonna see manufacturing, we're gonna see headquarters and sales office operations and we even do a little bit of retail (Chamber official, October 1992).

This view is corroborated by IOU ED officials:

    Most of the office prospects, they don't tend to look at us and we don't try to maintain a complete set of information on office projects. We'll see more people on the manufacturing side because they relate to utility companies, we're an integral part of a manufacturing operation (Utility official, February 1993).
They (the Chamber) handle more on the commercial side, the office parks, and we do industrial because that’s our expertise. We don’t get really get involved in commercial, very rarely... I guess the bottom line is that it makes money for us but the one that drives us forward is the industrial side (Utility official, August 1992).

We don’t deal in the commercial realm at all (Utility official, August 1992).

In addition to securing leads, chamber ED staff play an important role in providing various forms of locational assistance. Three commonly cited roles are:

1. mediating between prospects and local and State government officials
2. providing prospects with a detailed ‘local knowledge’ of the locality
3. mediating between prospects and existing employers in the locality

In mediating with local and State officials on behalf of prospects, chambers seek to lend additional weight to requests for public resources, whether in the form of infrastructural improvements borne by the state, or locational incentives such as tax abatements. As the widely recognized representative of local business interests, chambers can lend credibility, and therefore legitimacy, to the requests of prospects or individual developers:

In most cases the developer is going to get the chamber in as advocate... the chamber kinda takes the middle ground of going in with the developer and explaining what’s needed in trying to push the thing through (Utility official, August 1992).

Chambers may also play a role in the negotiation of tax abatements:
The director of the chamber... she doesn’t vote but she sits on the committee that votes to approve or disprove the abatement. She’s not a voting member but she’s there to explain, clarify, whatever... it's not appropriate for us to get into those issues (Developer, July 1992).

Chamber ED staff are also capable of providing an intricate knowledge of their service territory that can be used to smooth the development of a project at the local level. The local geography of attitudes to development is one facet of this local knowledge:

I know that it is not within my ability to deliver to a prospect a site in or near (suburb x) because they would not be received well, there would be little cooperation... I know conversely that the little village of (y)... they're highly receptive so I could probably take just about anything there and they would be met with open arms (Chamber official, May 1992).

We have some communities and in fact one County that is very selective about what type of businesses go into it. A community may take the position (that) 'we don't want industry, we don't even want offices or retail development' (Chamber official, October 1992).

Through repeated interaction with local government officials Chamber staff are also well-positioned to gauge the differential use, and hence possibility, of locational incentives:

I can tell the company that this community normally negotiates its tax abatements and they're normally about fifty percent. This community over here has been known to be a little more flexible and I think the last time that they negotiated one they had fifty percent on property and fifty-five on tangible personal property. I can give them a gauge of what they can expect (Chamber official, November 1992).

Thirdly, chamber staff are well positioned to mediate between prospecting firms and existing employers within the region over labor force issues:
If somebody comes in and says '(company x) is union, these paper companies are union, how am I gonna run a non-union shop?' We've got five or six members that very effectively run between 50 to 150 people in a non-union setting, so we'll call up (x) over at (company x) and say '(x)... let this guy come out and talk to your employees'. So that is very important... Ohio... it's known for its union-mind mentality and people want to be reassured (Chamber official, February 1993).

In a limited number of cases chambers of commerce are directly involved in the provision of development sites. The Middletown Chamber of Commerce developed an industrial park as early as 1952, through a chamber subsidiary, in an attempt to attract industry to the city. A chamber subcommittee is currently examining options there for a second development designed for commercial facilities.

Occasionally chambers also administer financing programs for new and expanding firms. Through its specialized financing arm the Greater Cleveland Growth Association, administers the Small Business Administration’s 504 Loan Program for a seven-County area. The Chamber also administers the State of Ohio’s 166 Demonstration Loan Program for Cuyahoga, Lake, Lorain and Medina Counties. Both programs are targeted at smaller enterprises and the latter provides loans for up to $150 000 for land acquisition, real estate development and the acquisition of machinery and/or equipment (see Ohio CDC Association, 1992: 9-14).

The metropolitan chambers in Columbus, Cincinnati and Cleveland also administer the Ohio Industrial Training Program for various Counties within
their jurisdiction. This program was established in 1980 to provide grants to firms to offset employee training costs (see Ohio CDC Association, 1992: 48-51). Like other locational inducements however, these incentives are generally incorporated into a location search at a relatively late stage, or in many cases after a final site decision has been made.

Local governments

Local governments are rarely the primary source of investment leads within a jurisdiction. Although many of the sampled cities within the four metropolitan areas had conducted ED marketing campaigns, local officials suggested that these programs had generally failed to meet expectations in terms of generating prospect interest.

Instead, the principal activities undertaken by local governments involve the furnishing of location incentives and the co-ordination of various municipal services and infrastructural improvements. Through their links to other local state agencies ED departments can serve as the single point of contact for prospecting firms. While the precise structure of responsibility for municipal services varies across the individual jurisdictions, ED departments are generally responsible for the co-ordination of water and sewer services, highways and zoning and permitting requirements. Many have established 'one-stop' permitting services in order to streamline regulatory procedures. In their interaction with other
divisions of local government, ED departments commonly view their role as one of an advocate for prospective businesses and site developers. One official notes that the ED division staff serve as:

the designated advocates for business (City official, February 1993).

Local governments participating in this study also vary in their use of locational incentives. Larger cities generally provide a wider range of incentives in the form of financing programs and technical assistance to prospecting firms (Green and Fleischmann, 1991). Most of the larger cities have revolving loan funds for example, that are used by firms either moving into the jurisdiction or expanding existing operations. These are generally initially capitalized through Community Development Block Grant funds. In all cases local government loans serve as "gap financing" and are contingent upon the participation of a private lending source, such as a local bank, for the bulk of the loan. The greatest variation between local governments in incentive provision appears in the use of tax abatements for new or expanded facilities. Where these programs are in place local governments vary both the terms and procedures for approval.

In a limited number of cases local governments were found to have purchased and developed sites directly for industrial and commercial use. In most instances local governments had determined that the locality lacked appropriate sites of a certain type for prospect consideration:

We thought that the market was down in the $20 000/acre range, and believe it or not as we started selling land in the $20 000/acre range we
didn’t hear any opposition from those folks (existing developers)... we were in a different niche (City official, September 1992).

In many cases where local governments had undertaken to provide sites these were designed to spur development in targeted areas of distress. Despite instances of site provision local governments were generally reluctant to develop on a large scale:

It’s our hope to have people develop privately, because we’re not developers, we assist development (City official, March 1993).

Summary of roles

Table 3 summarizes the multiple roles of the principal agents participating in the attraction of business investment. It should be noted, however, that additional interests are often incorporated into particular projects. Railroads are also active in securing leads although their interest is obviously restricted to placing rail users along existing rail corridors. ED agents may also tap other concerns on an intermittent basis - the State’s Environmental Protection Agency may be required to grant permits for certain industrial activities for example, while the State’s Department of Transportation is likely to be involved in any road or rail improvements.

The State’s Department of Development (DoD) plays a more central role in the attraction of investment although the actual provision of general locational assistance is purposely delegated to local ED agents. The State’s DoD may however, play an important role in the provision of locational incentives in the
TABLE 3: The Division of Labor Between Economic Development Agents

<table>
<thead>
<tr>
<th>Agent</th>
<th>Lead Generation</th>
<th>Site Location Assistance</th>
<th>Site Provision</th>
<th>Incentives and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>Industrial</td>
<td>Yes: identification of sites; provision of information</td>
<td>Limited</td>
<td>Limited rate incentives to new users</td>
</tr>
<tr>
<td>Chambers</td>
<td>Non-industrial</td>
<td>Yes: identification of sites; provision of information; mediation with various parties</td>
<td>Limited</td>
<td>No</td>
</tr>
<tr>
<td>Local Govts.</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
<td>Yes: various services; financial and tax incentives</td>
</tr>
</tbody>
</table>
case of larger projects, although this activity is again coordinated by local ED agents. The State's contribution may include grants for industrial training and off-site infrastructure improvements, loans for real estate development and the acquisition of land and equipment, and the lending of bonding capacity to enable unrated firms to raise funds in national capital markets (Ohio CDC Association, 1992).

The division of labor is a complex one therefore, involving a set of principal agents engaged in diverse activities that are supplemented by the more occasional participation of less central organizations in the attraction of capital. Nevertheless, each of the principal ED agents engages in a main activity or activities within the division of labor based upon a particular specialization in the social mediation of investment. These specializations are highlighted in Table 3 and are based upon particular conditions that facilitate the development of powers with respect to the attraction of capital. These principal activities and the conditions that facilitate their exercise are now examined.

THE CONDITIONS FOR SPECIALIZATION IN LOCAL ECONOMIC DEVELOPMENT

The previous section described the various roles played by ED agents in the attraction of new investments into a locality. The principal characteristics of the division of labor constituted by these activities are: the dominance of IOUs
and metropolitan chambers in the supply of industrial and commercial leads respectively; the importance of both metropolitan and local chambers of commerce in facilitating projects at the local level; and the importance of local governments in the provision of infrastructure, services and locational incentives. Here, these roles are explored further and attention is drawn to the conditions that facilitate or inhibit the development of specializations within the division of labor. The critical issue here is why these particular roles are executed by particular agents? More specifically the discussion is structured around four key questions:

1. why do IOUs exercise a virtual-monopoly on the supply of industrial leads?
2. why are metropolitan chambers the principal channel for commercial leads?
3. why do chambers in general, and not merely the metropolitan chambers, pay the critical role in mediating the development of projects at the local level?
4. why is the role of local government limited to one of service and incentive provision?
Utilities

Recall that IOUs are the major repository of industrial leads in each metropolitan area. This virtual-monopoly is the result of a number of considerations including their construction and maintenance of detailed computerized inventories of available site locations within respective service areas. Information on sites is filed with the IOUs by landowners, site developers and commercial and industrial realtors representing particular properties. Each IOU also maintains extensive additional information on general community characteristics, including: demographics; labor market data; and infrastructural capacities. For instance:

I can give you wage surveys, I can give you demographics, I can give you a site inventory of all the sites and the buildings for example. I can give you a list of every union vote that was taken in this seven-county area for the last fourteen years (Utility official, July 1992).

Through their long standing role in assisting industrial prospects, the ED arms of IOUs have managed to construct a sound reputation as intermediaries between prospecting firms, or their agents, and local ED interests. The IOUs tend to be further privileged as a result of their multi-county jurisdictions. East Ohio Gas, for example, serves approximately three hundred communities in eighteen counties, while Dayton Power and Light extends into twenty-four counties in Western and Central Ohio. In the case of an industrial investment of significant size, a prospect is liable to search for sites over a relatively wide
geographic area. Faced with the alternative of contacting a myriad of local ED agents prospects tend instead to gravitate to the IOUs.

When a company comes in they don’t want to deal with fifteen contacts in the State, they want to deal with one... we’ll do all the legwork and see that all the information gets sent in (Utility official, August 1992).

The private nature of IOUs also helps contribute to their dominance in the control of industrial lead information. This is for two reasons. Firstly, the IOUs are easily capable of concealing prospecting activity. This is a major concern of prospects and is taken up in Chapter 3. Secondly, the ED staff associated with IOUs are less prone to turnover than their counterparts in local government. Credibility with prospects and location consultants is constructed through regular interaction over an extended period. A continuous turnover of staff can easily disrupt the establishment of these relations.

Mayors and council people run for re-election... (but) I'm going to do this thing next year, and the year after, and the company has been in this business for forty years and they’re going to stay in it... the utilities are kind of a stabilizing and steadying influence. Of course, State administrations come and go, City administrations come and go... and we just keep plodding right along (Utility official, July 1992).

Credibility with firms and location consultants ensures that IOUs receive a steady stream of industrial prospects. Given this favorable position in securing leads, IOUs are viewed with considerable esteem by local ED agents.

When they (the local utility) bring a company in you’re usually talking about a very strong company. The utility companies work with good solid prospects (and) that’s desirable (Developer, July 1992).
I may call the mayor of (city x) or someone at the (city x) chamber and say 'I have a client, can't tell you who it is, want to bring 'em in tomorrow, we're looking at buildings. Also, could you get the mayor there we'd like to have lunch with the mayor.' Well I'm not telling 'em who it is but they've got credibility in us so that it's gotta be somebody worth their time and they'll arrange it... it takes a long time to develop those relationships (Utility official, November 1992).

Chambers of commerce

Chambers of commerce are also important in the channeling of lead information and here I want to explore why it is that metropolitan chambers are able to dominate the supply of commercial leads. Note that in the case of industrial prospects coming to the metropolitan chambers they rely upon the IOUs for site information and these leads may, in fact, be quickly referred to the ED departments of the IOUs. IOUs will, in return, refer those leads that are specifically commercial in character to the ED arms of the metropolitan chambers within their service area. For the IOUs there is clearly not the same return, in terms of utility load and therefore revenues, on the assistance given to commercial rather than industrial prospects.

Whereas the IOUs can maintain and update current inventories of sites and buildings for manufacturing use, metropolitan chambers of commerce are much more reliant upon local real estate brokers on an ad hoc basis for current commercial site and building information. This is essentially the result of the more complex nature of commercial real estate markets. Commercial markets are
dominated by multi-tenant, leased properties which tend to more readily substitutable than in the industrial case. Metropolitan commercial vacancy rates for the US are generally higher than industrial although individual properties turnover with far greater frequency. As a result of the complex and rapidly changing nature of commercial property markets, metropolitan chambers are unable to successfully maintain complete site and building inventories:

The (Chamber) doesn’t maintain files on existing buildings. It’s a monumental job to do that... (and) they can call one of their members at the (Chamber), one of the real estate companies in town and say 'we’ve got a client looking for a hundred thousand square foot building,' and they do that and they rotate it. They’ll call (x) and the next time, if it’s an office, they’ll call (y), so they move it around and that’s only proper (Utility official, November 1992).

The release of prospect information to local real estate brokers is common practice among Chamber ED staff, although the identity of the prospect may be concealed so that information must be channelled back to the prospect via the metropolitan chamber:

All of those brokers and developers that are members of the (Chamber), that support the (Chamber’s ED program), we send a confidential out to them... If you’ve got a 35 000 square foot user, you send it out and request information back within a given period. All of them that have that information will send it back to us and then we just give that to the client and work with the client (Chamber official, September 1992).

A 'confidential’ in this context is a request for site information from local agents on the basis of prospect specifications. The identity of the prospect is withheld from these local agents however.
Some prospects will choose to work directly with individual realtors in finding suitable sites however. Yet where the chambers are advantaged over individual realtors is in their ability to be seen to represent the entire range of available sites within a metropolitan market. Realtors, in contrast, may be seen to have a vested interest in showing properties for which they have an exclusive listing.

Recall that the second principal contribution of chamber ED agents is their ability to mediate between prospects and various local or site-specific interests. Whereas the securing of commercial leads is a forte of the metropolitan chambers of commerce, the mediating of investment is a role that can be played by either a metropolitan chamber and/or a local chamber of commerce. Part of this mediation may involve linking a prospect with existing local employers in order to assess various aspects of operating in the locality. Chambers are well positioned in this respect to capitalize upon their privileged access to member firms. A particularly common set of concerns on the part of prospects relates to workforce issues, notably: absenteeism rates; wage and benefit scales; the availability of workers of various skill levels; and the propensity for union organization:

Very, very important is the information on employers in the area. They want to know who’s there? Who are they going to be in competition with for labor? They want to know if there’s already somebody that’s using women labor in the community or whether that would be a good source for them? And probably about as important as anything in this day and
age is what kind of union influence is there in the community? (Utility official, August 1992).

Official statistics simply cannot capture the complexity or detail of information often required by prospecting firms. A frank and open discussion with personnel officers cognizant of the local labor market often proves far more productive in assessing local workforce attributes. The links that Chambers establish with existing firms in the locality are critical in brokering these meetings.

Chambers also play an important role in mediating between prospects and local and State government officials in order to facilitate a project’s progress. This particular aspect of mediating investment is perhaps more likely to fall to a local rather than metropolitan chamber. Through their role in mediating investments local chamber staffs build up an intricate local knowledge over time that can be tapped by prospects and more widely operating ED agents, such as the IOUs. The development of such expertise rests upon the entrenchment of chamber ED agents within a web of stable long-term relationships. Again chambers are privileged over local governments in this respect as a result of the greater stability of chamber personnel:

Now mayors come and go, so you’ve got to watch the political thing. But a chamber, if they develop a program it’s for the community... it keeps going, and then three or four years (later), whatever the term is of the mayor, you’ve got a new mayor (but) you’ve still got this organization (Utility official, November 1992).
Local Governments

Attention paid to the role of the IOUs and chambers of commerce in mediating capitalist investment is scant at best. There is however, an ever expanding literature focusing upon the emergence of a formal ED responsibility on the part of local government in the US (Eisinger, 1988; Goodman, 1979; Levy, 1992). The growth of local ED departments since the mid-nineteen-seventies is indeed impressive. A common view of these agencies is that they play the key role in attracting capital investment into a locality, while at the same time encouraging the retention and expansion of existing firms and promoting new firm formation through business incubators, start-up financing and technical advice to entrepreneurs. The evidence from interview transcripts suggests, however, that the role of local governments in the attraction of investment is narrowly circumscribed and cannot be adequately understood apart from their relation to private ED interests.

Transcripts indicate that the participation of city and county ED departments in development projects is contingent upon their ability to offer locational incentives on the one hand, and to secure necessary services and infrastructural improvements on the other.

Their most necessary role... is one where a prospect needs to look at some sort of incentive, either a tax incentive or a financial incentive of some sort (Chamber official, July 1992).
A second chamber official describes a recent collective effort to retain an existing industrial plant.

Basically the City's job was to come up with tax abatement (and) a loan (Chamber official, October 1992).

In most cases local government ED divisions are brought into a project at a relatively late stage. The principal reason for this initial exclusion is their perceived inability to maintain confidential information about investment projects. ED staff are seen as subject to systematic political pressures to disclose information about potential investments and their associated employment and revenue benefits. The critical importance of being able to conceal prospecting activity is addressed more fully in Chapter 3. This is however, a major obstacle to the fuller participation of local governments in the process of mediating investment.

Despite the strictly circumscribed role of local governments their control of critical services ensures that they must be incorporated into ED projects at some stage. Indeed, in a limited number of cases the feasibility of an investment may be crucially dependent upon the ability of a local government to provide adequate services. Certain industrial facilities, such as breweries, exert significant demands upon local water supplies for example. In this case the local government ED department may serve as the initial point of prospect contact. Where the proposed activity is of a controversial nature, involving toxic materials for example, initial assurances may also have to be given at an early
stage by local government officials. These are largely exceptional cases however. The more general trend is one of the exclusion of local governments from the mediation of investment until the later stages in the evolution of a project.

Conclusions to Chapter 2

This Chapter has identified the principal ED agents involved in the attraction of capital into the four study areas. Three groups of interests are integrated into the mediation process: IOUs; chambers of commerce; and local government ED departments. In the case of the IOUs and metropolitan chambers, ED activities have considerable longevity.

In each case agents are seen to have particular attachments to a locality that ensure an active interest in the economic condition of that locality. These attachments, or local dependencies, provide a material basis for local ED activities, although the form of these fixities varies between interests. Locally dependent ED agents are engaged in a set of ED activities that constitute a particular division of labor in each metropolitan area. Attention is drawn to four aspects of this division of labor. These are: the IOUs virtual-monopoly in the supply of information concerning industrial leads; the dominance of the metropolitan chambers of commerce with respect to commercial leads; the chamber's expertise in mediating between prospecting firms and interests at the local level; and the restriction of local governments to the provision of municipal
services and various locational inducements. Each of these specializations is
determined by a particular set of facilitating conditions and these in turn
structure the nature of the relationships between ED agents. This is the subject
of Chapter 3.
CHAPTER III
THE PROBLEM OF INTEGRATION

INTRODUCTION

The purpose of this Chapter is to examine the integration of the division of labor in local ED outlined in Chapter 2. The Chapter first examines a number of general problems of integrating divisions of labor. Various means of integration are then explored. The Chapter then addresses a number of specific problems of integration in the case of local ED. These include: problems of territorial non-correspondence between ED agents; the covert nature of prospecting activity; and the failure of ED interests to perform adequately in their assigned roles. An argument is made that the problem of integration cannot be solved through market coordination. The vertical integration of activities is then considered. The findings suggest however, that local ED activities are harnessed instead to a network form of organization.
INTEGRATING THE DIVISION OF LABOR AND THE PROBLEM OF INTEGRATION

Chapter 2 examined the different activities undertaken by agents having major institutionalized stakes in local ED: the IOUs, the ED departments of local governments, and chambers of commerce, both local and metropolitan in scope. These activities are seen to constitute a particular division of labor with respect to the attraction of external capital investment. Thus, lead generation primarily devolves to the IOUs for industrial leads and the metropolitan chambers for office, retail and other commercial investments; chambers in general provide crucial mediating roles while local governments primarily provide essential infrastructure packages along with various locational incentives.

The concept of a division of labor has obvious longevity but the idea has been subject to a thorough re-examination in the past decade or so and has emerged as a major focus of social theory. In geography, Massey’s (1984) work developed the idea of a spatial division of labor, while Sayer and Walker (1992) have made recent claims for the central importance of divisions of labor in conceptualizing economic and political relations. Much of the recent interest has focused on the means by which divisions of labor are integrated (Storper and Harrison, 1991; Storper and Scott, 1993; Storper and Christopherson, 1987). This concern draws upon work in other disciplines, particularly the work of Williamson in economics and of Granovetter in sociology.
General problems in the integration of the division of labor

There are multiple aspects to the problem of integrating any division of labor. The first is one of bringing together the necessary machinery, information, labor-power and materials for productive activity to take place. The labor processes in which these materials are used involve cooperation between individual agents and this interaction must also be coordinated. Thirdly, both the integration of machinery, materials, labor and information and the coordination between different workers has a temporal dimension. Appropriate resources and information must be supplied at the appropriate time and in the proper sequence in order to facilitate some continuity of activity.\textsuperscript{16} Integration further requires that labor, materials and information are of a certain standard whether of a quality and/or cost nature. Finally, the integration of activities must be coordinated in terms of the link between the supply and demand for a product. Clearly, therefore, divisions of labor are complex and this in turn renders the question of their integration problematic (Sayer and Walker, 1992).

Means of integrating divisions of labor

Given the complexity of divisions of labor it should come as no surprise that their integration can occur through a wide variety of different mechanisms.

\textsuperscript{16} The contrast between just-in-time and just-in-case manufacturing techniques draws particular attention to this aspect of integrating divisions of labor (Sayer, 1986).
Williamson's (1975, 1980, 1985) transaction cost approach to industrial organization emphasizes the complementary roles of the market and administrative fiat or hierarchy as means of integration. In the case of market coordination different parts of the division of labor are integrated on the basis of competition between discrete firms. Hierarchical authority, on the other hand, is the means through which activities are coordinated within individual enterprises. For Williamson the balance between markets and hierarchies is determined on the basis of whether transactions are more efficiently carried out between firms, that is through a market relation, or subsumed within hierarchically organized firms.

Markets are seen to most efficiently regulate transactions between economic agents in the case where transactions are simple and non-repetitive and where transacting parties are free to substitute alternate partners, that is where markets are competitive. Under these conditions agents that behave in a distrustful or opportunist fashion will be disciplined through the mechanism of market competition:

If traders encounter complex or difficult relationships, characterized by mistrust or malfeasance, they can simply move on to the legion of other traders willing to do business on market terms (Granovetter, 1985: 484).

Williamson argues that hierarchical structures of governance arise to deal with two problems that market mechanisms cannot solve in an efficient manner. The first is one of 'bounded rationality'. This is the inability of transacting
agents to properly anticipate all contingencies of their interaction. Where transactions are complex, extend over a lengthy period of time and are uncertain in outcome, internalization of the transaction within a firm will enable the consequences to be more easily managed through the firm's internal governance structure, rather than through complex contract negotiations.

Internalization of activities is also designed to mitigate a second problem. This is one of opportunism on the part of transacting parties. Opportunism or the pursuit of self-interest by all means possible is seen to be problematic where markets are imperfectly competitive, as a result of a limited number of participants with substantial sunk costs for example. Behavior of an opportunistic nature is more ably mitigated through a combination of authority relations within the firm, and the allegedly greater identification of transacting partners that comes with sharing organizational allegiance.

There are important geographical implications to Williamson's approach and these have been explored in Scott's work on the vertical integration and disintegration of firms (Scott 1986; 1988a; 1988b). Vertical integration refers to the internalization of different aspects of the division of labor. Vertical disintegration occurs where transactions are more efficiently effected across a market boundary. While Scott's work essentially reproduces the dualism of hierarchies and markets, through vertical integration and disintegration respectively, Sayer and Walker (1992) identify a range of additional means of
integration, or 'modes of organization'. These include such diverse means as inter-firm alliances and various forms of subcontractual relationships along with more esoteric means like kinship and marriage (see also Cooke, 1988; Holmes, 1986; Storper and Harrison, 1991).

Interest focuses specifically in this study on the means by which the various local ED activities are integrated. Integration in the case of mediating investment is a complex matter and one in which the proper sequential integration of activities is critical. Once a lead has been obtained, an ED agent will seek to carefully orchestrate the participation of other relevant agents. This coordinating agent is usually an IOU or metropolitan chamber and can be appropriately referred to as the lead organization. For an initial period the original recipient of the lead may be the prospect's only contact in the locality. As a project develops further however, additional ED agents, such as local chambers of commerce or local government ED departments, may be incorporated into the project.

In addition to the appropriate sequencing of the mediation process there are several other barriers to any simple integration of activities. These are explored in the next section of this Chapter. The problematic nature of integration, illustrated below, ensures that the extent of, and the precise organizational form of integration are open to question. Various possible
solutions to the question of integration are examined in the final section of this Chapter.

Problems of integration in the case of local economic development

Given the different powers and responsibilities of ED agents outlined in Chapter 2, the mediation of investment can be seen to hinge upon careful integration of their activities. More specifically integration involves an exchange between local or site-specific agents and lead organizations. Local knowledge, incentives and the general ability to 'produce' for the lead organization and to their specifications are exchanged for prospect information provided by 'lead-rich' lead organizations.

However, interview transcripts point to three common problems in achieving a reintegration of the division of labor in this instance. These difficulties stem from: the territorial non-correspondence of ED agents; the necessarily covert nature of prospecting; and the failure to adequately perform appropriate roles. Each is examined in turn.

a) Territorial non-correspondence of economic development agents

On the basis of their local dependencies ED agents have a particular locality of interest. Their individual concern is that ED takes place within this particular geographic space. More specifically, they may strive to ensure that
revenues flow through the relations by which they are attached to the locality. Accordingly, one might expect ED agents to use leads and information about projects to try to bring investment to rest within their own locality of interest. Behavior of this nature constitutes the opportunism of agents noted by Williamson.

It is rare, however, for ED agents, working within the same broad geographic area, to have geographically coincident localities of interest. This territorial non-correspondence can be a critical source of tension in the relations between them. Where a recipient of a lead shares information with agents having interests of a somewhat different territorial scope, there is an ever present danger that the information may be used to steer the project into an area other than the original agent’s locality of interest.

Consider for example, the relationship between the ED divisions of the IOUs and major chambers of commerce in each of the four metropolitan areas. In two cases -- Columbus and Dayton -- the service territories of the IOUs extend well beyond the recognized membership boundaries of the region’s metropolitan chamber as shown schematically in Figure 2a. Should the ED arm of the metropolitan chamber be the recipient of a lead and subsequently incorporate the IOUs into a project, it is subject to the threat that the IOUs may show additional properties beyond the chamber’s designated service area.
FIGURE 2: Typical Forms of Non-correspondence
In Cleveland, on the other hand, the area represented by the Greater Cleveland Growth Association is divided between two major investor-owned electric utilities, the City’s own municipal electric service, and two major investor-owned gas utilities. This situation is shown schematically in Figure 2b. In this case an IOU must be wary of sharing prospect information with the metropolitan chamber given that the chamber may then attempt to bring to the prospect’s attention sites that, while still within the area served by the chamber, happen to lie within the service territory of a rival utility.

Only in the Cincinnati region is the service area of the combined gas and electric utility -- the Cincinnati Gas and Electric Company -- roughly coincident with the membership base of the metropolitan chamber. While it might seem in this case that the picture would be complicated by the tri-State nature of the Cincinnati metropolitan region, as shown in Figure 2c, in point of fact much of the northern Kentucky portion of the metropolitan Chamber’s service area is served by the Union, Power and Light Company, a wholly-owned subsidiary of the Cincinnati, Gas and Electric Company. This clearly obviates some of the difficulties raised by the non-correspondence of localities of interest that are found in the other three metropolitan regions.17

17 In the Cincinnati case there is a problem of non-correspondence resulting from the division of the region between three States -- Ohio, Kentucky and Indiana -- that is not entirely solved by the tri-State extent of the utility. This issue is explored further in Chapter 4.
Relationships between ED agents, such as the IOUs and metropolitan chambers, are further complicated by the more limited jurisdictions of local governments and local chambers. Indeed the areas served by local chambers are likely to fall entirely within the service area of the metropolitan chamber. In the seven County area served by the Columbus Area Chamber for example, there are an additional twenty-eight local chambers of commerce. Although most local chambers are principally civic organizations with no role in local ED, a number of suburban and peripheral chambers do execute an ED function of appreciable magnitude. The Lorain County Chamber, located within the area served by the Greater Cleveland Growth Association, has raised $2.2 million for a five year ED program from 1988 to 1993 for example. The Springfield Chamber, located within the service area of the ED arm of the Dayton Chamber, also allocates significant funds to ED, in this case approximately $0.5 million per year. Where these larger chambers are capable of generating leads they may avoid sharing prospect information with the relevant metropolitan-wide chamber for fear of losing the potential investment to another part of the metropolitan region.

Developers also have particular localities of interest that are tied to their assets in land and the local exchange relationships noted in Chapter 2. The majority of developers tend to specialize in one metropolitan area but a number of firms maintain interests in multiple metropolitan markets. The Miller-Valentine Group, for example, is the largest property developer in the Dayton
region but also has significant land and property holdings in Cincinnati and Columbus. Duke Associates similarly maintains a significant interest in the Cincinnati and Columbus markets, but also has additional holdings in metropolitan areas in other States, such as Indianapolis, Nashville and Detroit. ED agents with localities of interest at the metropolitan or sub-metropolitan scale may fear losing a prospect to another locality should they choose to incorporate a developer of this nature into a project. This is a potential problem for IOUs, for example.

This complex overlapping of localities of interest can clearly prove problematic given the opportunist nature of ED agents. ED agents with an initial lead must, therefore, exercise extreme caution in sharing information with other agents. Where localities of interest are congruent prospect information might be expected to flow relatively freely. However, even here this is not the case. The flow of information is constrained by a second obstacle to the successful integration of the division of labor in local ED, and this concerns the generally covert nature of prospecting activity.

b) The covert nature of prospecting

In interview ED agents stress repeatedly the confidential nature of information pertaining to projects:
The confidentiality aspect is absolutely central and those outside the profession don't really appreciate or understand that (Chamber official, July 1992).

These confidentiality constraints are imposed by the prospects themselves. The importance of confidentiality lies in their concern to conceal their search for a site from public view. Two principal publics are of especial significance: competitors; and current employees.

1: Competing Firms. Given the private and competitive nature of capitalist economies firms strive to withhold strategic information on location and investment decisions from their competitors. This concern is particularly acute in the case where a firm may be attempting to establish a presence in new geographic or product markets or leaving existing markets:

You're coming into a marketplace or an environment and maybe within a hundred miles or five hundred miles is a competitor of yours and you're going to get into the market that they share now - you don't want them to know about it (Utility official, August 1992).

2: Current Employees. Firms may also be keen to withhold information from an existing workforce in an attempt to minimize labor turnover, conflict with labor organizations, and general disruption to normal employment and production routines. Confidentiality is especially critical where firms are engaged in the wholesale relocation of a facility. Even in the case of expansion however,
workers may still see investments made elsewhere as a threat to their own employment security:

You couldn’t say that certain size companies or certain industries are anonymous and others don’t care. You can have a small local company that doesn’t want anyone to know that he’s expanding or you can have a union problem at the company and they don’t want their employees to know that they’re thinking of moving (Utility official, November 1992).

More occasionally ED agents identify other reasons for the concealment of the search process. A number claim that firms are wary of creating ill-feeling in communities that are ultimately dropped from the location search. A further concern is that a publicized search for a site may lead to a speculative escalation in land costs as owners anticipate a possible sale. Several respondents also claim that in the case of a publicized search firms run the risk of being inundated by ED agents promoting their own particular localities and realtors representing particular properties. Some firms will, in fact, go to considerable lengths to minimize the risk of public exposure:

They (the prospect) were coming in... to meet with the State to discuss finance incentives, with us to discuss the particulars of tax abatement and some training funds. They had the confidentiality agreements faxed to us two days before with the company’s name blocked out. Because they wanted to have our signature on record so that (when) we came into the meeting two days later to sign confidentiality agreements they wanted to make sure that it was actually us there (County official, February 1993).

Some people will come in and they’ll drive in a car that’s been rented, they’ll dress casually... they’ll not have a business card, they will not register at the hotel in the right name... I always thought that if you were a shrewd person you could probably go all over this country and tell them you were a client and be wined or dined at no cost for months, until they figured out you were just a joke (Utility official, August 1992).
Given the importance of confidentiality constraints ED agents must exercise extreme caution in the handling of prospect information. Any unnecessary sharing of information will therefore be minimized, and where other ED agents are incorporated into a project, each will need to be made fully aware of the constraints:

Sometimes when you create teams I may have to bring in somebody on the team that is outside the realm of the ED circles that work together all the time... If I haven't worked with him before on this type of confidential situation I may be real nervous. You think, 'God, what's his confidentiality quotient? Can I trust him...?' So I may work with him a little bit ahead of time and say, 'look I really need you, I'd like you to be involved in this but here are some ground rules' (Chamber official, July 1992).

Any premature leak of information can seriously damage an attraction effort:

Time after time after time you're told bluntly, face to face, that 'if word of this gets out we're gone, you will never see us again. This project is dead as far as this city is concerned' (Chamber official, July 1992).

Whether or not specific ED agents are incorporated into projects is critically determined therefore, by their ability to maintain the confidential nature of prospect information:

If you can't be comfortable with that (confidentiality) you don't belong in our profession. If you're gonna destroy something before it ever gets going because you can't keep your mouth shut what success are you going to have? (Utility official, February 1993).

Through a history of interaction, ED agents establish a measure of the ability of different individuals to conceal prospecting activity from public view. These personal relations are important in facilitating the integration of activities.
However, these specific instances of interaction also build into a larger picture of which particular types of agent can be entrusted with information and which cannot. These stereotypes are important in structuring the general flow of information between ED agents. In particular they are absolutely critical to explaining the tendency for the marginalization of local governments during the early stages of a project.

Chapter 2 made note of the fact that the ED arms of local governments are generally incorporated into projects at a relatively late stage. This is principally the result of a chronic and generalized distrust of their ability to conceal prospecting activity. Private ED agents make repeated note of the systematic political pressures upon elected officials to disclose information about current ED projects in a premature fashion:

When they (prospects or consultants) ask you to keep something confidential you are expected to keep it confidential and it's easy for us to do because we don't have to worry about being elected... They (local government officials) may resent that because they may think 'why don't you trust us?' and you would like to trust them but there's always a leak. There seems to be always a leak and then what do you do? (Chamber official, September 1992).

As you begin to deal with the non-professionals, the elected people, you run the risk of breaking confidentiality, because there's nothing neater for Jack in his re-election campaign to be able to talk about, 'well we're working a development'. Don't put him in that position and you don't have to worry about it (Utility official, February 1993).

There would indeed seem to be a considerable incentive for elected officials to use project information in an opportunist fashion in order to gain political capital
through their association with prospective investments and their attendant employment and revenue benefits:

The biggest problem is the talking heads in elected places, or appointed, but mostly elected, and the reason is they are hungry for glory projects (Utility official, November 1992).

In part however, both the distrust of local government officials and the recourse to stereotyping are the product of the relative instability of local government administrations and the turnover of local state personnel with electoral cycles. Turnover of this nature clearly inhibits the construction of stable, long-term relationships between local government ED agents and their counterparts in the private sector.

The general perception that local governments, and elected officials in particular, cannot be trusted with confidential information hinders any attempt to play a broader role in facilitating investment. On the other hand there are a series of measures that can be taken in the attempt to minimize the risk of disclosure. In several instances, such as Xenia, Piqua and Medina County, local governments have established private non-profit corporations to carry out ED responsibilities. In a number of other cases, such as Clermont and Franklin Counties, ED responsibilities have been delegated to the principal chamber of commerce in each locality. Under these arrangements ED agents can operate without the constraints imposed upon public organizations and this is critical in enhancing their ability to protect the confidentiality of information.
Nevertheless, the principal role played by local government ED departments involves the coordination of infrastructural packages and locational incentives. Any type of expenditure or offer of incentives requires the consent of the appropriate legislative body and thus the incorporation into a project of local elected officials. Under these circumstances even autonomous or privatized ED organizations cannot substitute for the participation of local public officials with the attendant risk that information will be disclosed.

c) Failure to perform

As previously noted, ED agents entrusted to find appropriate sites for prospects must be able to count upon the ability of local ED agents to provide the necessary support, including an understanding of what is possible and what is not possible in their particular community, the ability to provide incentive packages, and to trouble shoot objections from the local community. To this end, lead organizations develop an awareness of which local contacts within their service territory are capable of delivering support and incentives for a project and which are not:

They have to trust what you’re giving them - the information you’re providing them or the product that you’re supplying - (so that) they’re confident that when they’re working with a company that you’re gonna deliver on a good product (Developer, July 1992).
This awareness of the likely locational distribution of support, ambivalence and opposition may need to be fairly detailed. Consider the case of prospects of foreign origin, for example:

Over a period of time you know, there are certain communities that we probably wouldn't take a Japanese company to. We know they wouldn't be welcomed or they wouldn't feel comfortable, and there are others that will welcome them with open arms... and consider them part of the community... we need to do our homework... we should know pretty much what goes on in different communities and what perceptions would be... What would be expected... they (prospects) rely on us... as a rule of thumb we would probably be their eyes and ears (Utility official, August 1992).

Where this support is not forthcoming, either the ED agent and/or the locality itself may be selectively excluded from any further circulation of lead information.

Local governments in particular may fail to measure up to expectations on a number of counts. Prospects are generally keen to minimize the duration of a location search. This is one result of their desire to diminish the risk of a breach of confidentiality. Accordingly, local governments that respond quickly to requests for information, and make rapid and favorable decisions concerning incentives or infrastructural requests, are likely to successfully further their relationship with the source of the lead. An additional issue is the ability to actually deliver on what is promised. Should, for example, local officials commit to incentives or improvements that elected officials fail to endorse the relationship will be seriously compromised.
In summary, the failure to perform an assigned role in the division of labor can seriously undermine the relationship between ED agents and the critical exchange of leads for local support. The non-correspondence of localities of interest and the critical nature of confidentiality render problematic the opportunistic behavior of select agents incorporated into the mediation of investment. The general failure to perform may be either the result of opportunism, such as reneging on promised incentives, or the bounded rationality that results from the complexity of assembling an ED project. ED agents may be simply unable to forecast all possible forms of opposition to a prospective investment for example. There is therefore, some overlap in the nature of these problems of integration. However, any failure to properly integrate the division of labor, whatever its cause, is liable to have substantial costs.

The costs of failed integration

Each of these three problems -- non-correspondence, the covert nature of prospecting, and failure to fulfill an assigned role -- is singularly capable of undermining relations between ED agents and hence jeopardizing that integration of separate labors that underpins the viability of a project in a particular locality. There are two important repercussions to this. The first is project-specific, while the second concerns the general ability of ED agents to successfully mediate investments.
The first, and most obvious repercussion of failed integration is that the particular investment may be lost to another locality. For some of the agents involved, such as an IOU, the investment may be retrieved should the prospect chose an alternate site within their particular locality of interest. Nevertheless, failure at any one location raises the specter of a second and often more damaging repercussion. This is that the failing of an individual ED agent is liable to reflect on each of the agents involved in a project. Mediating agents are entrusted by prospects to find suitable investment sites and one aspect to this is the incorporation of credible local contacts. Where these local contacts fail in some respect, the responsibility for failure will be lodged with the mediating agent in addition to the local contact. For the IOUs and metropolitan chambers, therefore, failures of this sort can seriously damage their credibility with their own lead supplies, and most notably the location consultants:

In many cases if your give away that confidence... you will never hear from them (the consulting firm) again (Chamber official, July 1992).

The relation to consultants is critical given their extensive contact with prospecting firms:

(The consultant) he's a multiplier, he can get me ultimately to the prospects, because he's working with the prospects (Chamber official, July 1992).

IOUs and metropolitan chambers can bring select sanctions against local agents that fail to fully cooperate in the mediation of an investment and these are addressed in Chapter 4. The use of sanctions is, however, an indication that ED
agents have failed to construct a viable integration of ED interests around a particular project and this failure can threaten the future supply of leads.

Clearly there are barriers to any simple integration of the division of labor in local ED. In the following section a number of possible means of integration are explored. First, the possibility of integration via the market is examined. Coordination through hierarchical structures, in the form of the vertical integration of activities, is then considered. Finally, an alternate means of integration is proposed as a viable solution to the problem of integrating the division of labor in local ED.

SOLVING THE INTEGRATION PROBLEM

Market solutions

Williamson and others argue that in many circumstances markets serve to efficiently regulate transactions between economic agents thereby providing a means for coordinating the division of labor. Competition between entities means that economic agents are free to substitute transacting partners and it is this substitutability that eliminates malfeasant economic behavior.

In the case of the division of labor in local ED, under perfect market conditions local site-specific agents would be able to 'shop' for leads from a variety of different lead organizations. That is to say that the necessary information would be available from multiple sources. In their turn however,
these lead organizations would be able to easily substitute one local agent for another. The easy substitution of transacting partners on both sides of the relationship is the crux of market competition. Agents are unable to gain any unfair advantage in exchange given the ever-present threat of their substitution by others trading on more favorable terms:

If traders encounter complex or difficult relationships, characterized by mistrust or malfeasance, they can simply move on to the legion of other traders willing to do business on market terms (Granovetter, 1985: 484).

Market solutions to the integration of the division of labor are seen to work most satisfactorily in circumstances involving a simple exchange. Where the transaction is complex substitutabilities are less easily facilitated. Markets are also seen to operate most efficiently where transactions are non-repetitive. Where parties trade on a repeat basis one of the transacting parties may be able to use information from prior exchange to the detriment of the other. The anonymity of trading partners is therefore important in facilitating fair exchange. Markets are also seen to operate smoothly in situations where neither partner is required to make a significant investment in facilitating the transaction. Significant sunk investments tend to 'lock' agents into a transaction thereby inhibiting the substitution of a trading partner should complications arise. The exit option is effectively removed under these sorts of circumstances should one agent seek to gain at the expense of another.
In the case of simple, non-repetitive transactions absent of sunk investments, markets may be seen as an efficient means of matching buyers and sellers and in doing so, integrating the division of labor. Where these conditions are absent market exchange may be undermined. The disciplining force of market competition depends crucially upon the substitutability of transacting agents therefore.

In the case of local ED there are various characteristics of the exchanges that take place that inhibit integration through the market. The number of lead suppliers is greatly restricted by virtue of the territorial monopolies of the IOUs and the metropolitan chambers for example. These agents have significant market power given their virtual-monopolies in the supply of leads. Market coordination is destined to fail under these circumstances given that there is no reason for a lead organization to exchange on fair or equitable terms. This limited substitutability in the supply of leads is explored further in Chapter 5.

While markets in the supply of leads are effectively absent the provision of sites and local cooperation is beset by a similar failure of substitutability. The scope of possible sites for a prospecting firm is narrowed by conditions set by the prospect. As a result there may be very few sites that fit the appropriate parameters. Under these circumstances lead organizations cannot freely substitute between local agents in the attempt to find the best terms of exchange.
Imperfections in competition prevent the coordination of the division of labor on a market basis therefore.

Furthermore, the transactions involved in the exchange of leads for cooperation necessitate the investment of substantial sunk assets. The customized nature of individual ED projects ensures that lead organizations are required to make significant investments of time and resources in the development of a project. The role of local agents must be negotiated on a case-by-case basis for example. These investments are essentially non-transferrable between projects. Under these circumstances markets cannot properly coordinate the division of labor in local ED. The stake of one party is too substantial to bear exchange on market terms.

Hierarchical solutions and vertical integration

There are a number of different attributes of the division of labor in local ED that might lead one to expect tendencies towards a hierarchical solution to the problem of integration. Williamson claims that transactions that recur with some frequency, are uncertain in outcome, and require substantial transaction-specific investments are more likely to take place within firms than across market boundaries. That is to say, they are more likely to be organized through the hierarchy of a vertically integrated structure than through market transactions between separate organizations.
In the case of organizing for local ED each of these three conditions is met. Transactions between agents are likely to be frequent, given the fixity of the various ED agents within shared localities of interest. Secondly, agents can never be sure that cooperation between them will actually result in a concrete investment. That is to say, the outcome of their exchange is uncertain. Thirdly, the cooperation between agents involves transaction-specific investments by virtue of the customized nature of each individual project, as noted in the previous section.

Accordingly, the vertical integration of activities might be anticipated as a viable solution to the integration problem. Vertical integration would also seem to solve each of the three specific problems noted earlier in this Chapter. The non-correspondence of localities of interest would be eliminated. The covert nature of prospecting could be more easily contained within a single organization. Thirdly, administrative fiat could be used to ensure that agents fulfil their assigned role in the development of a project.

There are indeed, some indications of vertical integration of the division of labor in local ED. The ownership of land on the part of certain utilities, noted in Chapter 2, is one example. Indeed, it is conceivable that an IOU with suitable industrial property could play almost all of the necessary roles in the mediation of investment, other than the provision of infrastructural packages and locational
incentives. Even here however, the discounted utility rate for new users is
evidence of at least a limited capability for incentive provision.

It is equally conceivable for chambers of commerce to play the same set
of roles through a similar process of vertical integration. Chambers are adept at
securing leads and providing location assistance. As is actually the case in a
limited number of localities, chambers also have the capacity to provide
industrial sites. Once again, infrastructural packages and locational incentives
would be the only set of activities beyond the responsibility of the chamber.
Note, however, that in this scenario the IOUs may also be required to play a role
through the extension or expansion of existing utility infrastructures:

They still need to get us involved a lot of times because of the use of
power, and a lot of times when a company comes in they need to know
what can be served. 'Is it a three phase, is it a single phase? Is it primary
or secondary? We need gas, is there a gas line nearby?'. You almost have
to come to us anyway (Utility official, August 1992).

In principle, therefore, a measure of vertical integration can be achieved
through private ED organizations such as an IOU or chamber of commerce. It is
also plausible however, for local governments to more broadly encompass the
division of labor. Currently local government ED departments are generally
restricted to facilitating the provision of infrastructural packages and incentives.
There are however, a number of localities, Cleveland, Cincinnati and Gahanna
are examples, where industrial sites are owned by the municipality itself. Should
these local governments be capable of generating leads then the division of labor
might be entirely encompassed by a public ED agency. Indeed, in a city such as Hamilton, Ohio, local government may also be the provider of both electricity and natural gas. In this case the exclusion of private agents from the mediating of capital investment would be complete.

The question naturally arises, therefore, as to why vertical integration is not more prevalent given the failure of markets on the one hand, and the potential of vertical integration to solve many of the problems of integrating the division of labor in local ED on the other? There are two plausible sets of answers. The first is that there are various pressures on the different organizations involved in local ED that serve to inhibit their ability to encompass more of the division of labor. These pressures are explored shortly. Secondly, however, many of the problems of integration raised in this Chapter can be solved through an alternate form of coordination that stops short of vertical integration. This structure is introduced in the final section of this Chapter and then explored more fully in Chapter 4.

Counter pressures to vertical integration

There are important constraints and pressures upon ED agents that tend to inhibit the vertical integration of ED activities. In the case of the IOUs the limitations upon their diversification into real estate development were noted in Chapter 2. Recall that in the case of utility holding companies covered under the
PUHCA, subsidiary activities must be proven to be either "reasonably incidental" or "economically necessary or appropriate" to the primary activity of utility provision. The Edison Electric Institute's (1984) survey of business diversification activities presents a number of examples of eligible activities. These include: fuel exploration and development; the transportation of fuel; the marketing of various waste products, such as ash; and various energy conservation activities. Each is clearly related to utility provision. Indeed the ownership of subsidiary coal mining companies is a clear example of vertical integration in the utility industry. The purchase of land for industrial development, on the other hand, is an activity judged to be too far removed from the production and distribution of power in the view of the SEC.

There are, however, many IOUs that are exempt from the PUHCA and these utilities are capable of maintaining real estate divisions. Although these IOUs are not structurally constrained in the same way as registered IOU holding companies, they are subject to two constraints that apply to all IOUs that tend to limit vertical integration into site provision.

Firstly, the credibility of the IOUs with their own lead suppliers may be compromised by the belief that a utility has a greater interest in submitting sites that it owns, rather than sites that are owned by other ED interests. The IOUs pride themselves on their ability to consider, in an objective fashion, all possible sites for submittal within their service territory:
They'll come to us more because we are kind of a neutral party. We don't have any axes to grind, in terms of we'd just want them in our service territory (Utility official, August 1992).

This "neutrality" may be compromised should the IOU take a direct ownership stake in industrial sites. The situation here is clearly analogous to a realtor's perceived inability to adequately represent the full range of potential sites within a metropolitan area. Prospects and location consultants are likely to consider realtors to be biased towards sites for which they are the exclusive broker.18

Any vertical integration into property provision is liable to damage the credibility of the IOUs with a second set of interests. Relations with existing industrial developers and realtors in the region are liable to be seriously compromised should the IOU provide sites directly. Realtors and developers are likely to view the IOU with the same suspicion that they view other competing interests. As a result, they may simply avoid listing sites with the IOUs and seek, instead, to generate leads directly, or establish alternate channels for the acquisition of lead information. Where this occurs, the IOUs reputation with its own lead sources may again be damaged, but this time by virtue of the now incomplete nature of the IOU's inventory of sites.

18 This perception is enhanced by the manner in which commissions are assigned to realtors. Where the realtor finds the prospect a site for which she or he has an exclusive listing, the realtor will receive a full sales commission. If, however, the property chosen is listed with another broker, the realtor will need to split commission fees with the listed broker.
Metropolitan chambers of commerce run the same risk of alienating existing developers within the region should they choose to develop land directly. Note was made in Chapter 2 of the substantial support for chamber ED programs provided by real estate developers. Clearly support of this nature is contingent on the fact that the chamber avoids any direct provision of sites, and thus competition for existing developers in the locality.

Opposition to vertical integration serves to counter the tendencies towards any hierarchical coordination of the division of labor in local ED. Allusion was made earlier to the fact that the integration problem can be solved without recourse to the imposition of hierarchy through the vertical integration of the division of labor. The argument however, first requires a thorough reconceptualization of the markets and hierarchies dualism. This reconceptualization is presented in the section that follows.

Integration without hierarchy

Williamson's dualism of markets and hierarchies is developed within a revisionist neo-classical framework that is part of the wider emergence of a "new institutional economics". His work, and the new institutional economics more generally, have been subject recently to critical attack (see Hodgson, 1988). Of particular interest here, is the claim that the markets and hierarchies framework fails to address, in any serious fashion, the relationship between economic
behavior and the social structures within which conduct takes place. The work of Mark Granovetter is especially important in this respect (Granovetter, 1985). The argument advanced here draws substantially from Granovetter’s work, and in particular, the view that purposive action is embedded within concrete systems of social relations. First, however, and before considering Granovetter’s critique, Williamson’s argument needs to be briefly restated. Focus can then turn to the implications of Granovetter’s argument in terms of the problem of integrating the division of labor in local ED.

Williamson argues that markets and hierarchies are complementary structures of governance. Markets, on the one hand, are seen to most efficiently regulate transactions between anonymous economic agents via the mechanism of competition. Hierarchical structures of governance arise to deal with two problems that market mechanisms cannot solve in an efficient manner. In the first instance, where transactions are complex, extend over a lengthy period of time and are uncertain in outcome, their internalization within a firm obviates the need for the full anticipation of the consequences of interaction.

Internalization, or vertical integration, is also designed to mitigate a second problem, that of opportunism. Opportunism is seen to prevail where markets are imperfectly competitive, as a result of a limited number of

19 There are interesting parallels here with other recent developments in social theory. The most obvious perhaps, is the development of Anthony Giddens’ structuration theory (1981, 1984).
participants for example. Behavior of an opportunistic nature can be mitigated through the combination of authority relations within the firm and the allegedly greater identification of transacting partners that comes with sharing the same organizational allegiance.

For Williamson, a particular organizational structure develops in order to provide the most efficient means of integrating discrete economic activities. Granovetter’s critique rests on the contention that economic behavior is embedded within concrete systems of social relations:

I argue that the anonymous market of neoclassical models is virtually nonexistent in economic life and that transactions of all kinds are rife with the social connections described (Granovetter, 1985: 495).

Williamson claims that the orderly nature of economic life is the result of the inhibition of opportunism and malfeasance that comes with the incorporation of complex transactions within hierarchically integrated firms as a response to market failure. What is critical according to Granovetter, however, is not the presence or absence of hierarchical organizational structures but rather the nature of the personal relations between and within firms. Whether markets or hierarchies are present:

depends on the nature of personal relations between and within firms. I claim that both order and disorder, honesty and malfeasance have more to do with structures of such relations than they do with organizational form (Granovetter, 1985: 502-503, original emphasis).

Thus, complex market transactions may take place in a highly orderly fashion where a stable set of relations between transacting agents has been established.
These concrete personal relations between agents carry with them certain social obligations that tend to discourage malfeasant behavior in a manner that is quite independent of their particular institutional arrangement:

(A)ll I need to show here is that there is sufficient social overlay in economic transactions across firms (in the "market," to use the term as in Williamson's dichotomy) to render dubious the assertion that complex market transactions approximate a Hobbesian state of nature that can only be resolved by internalization within a hierarchical structure (Granovetter, 1985: 495).

Conversely, relations within firms may be characterized by a significant degree of disorder given that coercion is unlikely to be able to facilitate a social context conducive to cooperation over the longer term. Indeed Granovetter cites evidence from various studies that indicate where networks of concrete personal relations develop within firms they may be used to evade hierarchical authority:

(The) view that orders within a hierarchy elicit easy obedience and that employees internalize the interests of the firm, suppressing any conflict with their own, cannot stand scrutiny against these empirical studies (Granovetter, 1985: 500-501).

In other words, the authoritative power of intra-firm structures of governance is over-stated given that cooperation, and hence the integration of separate labors, takes place within a set of concrete personal relations:

(S)ocial relations between firms are more important, and authority within firms less so, in bringing order to economic life than is supposed in the markets and hierarchies line of thought (Granovetter, 1985: 501).

Granovetter's argument shifts the explanatory focus from organizational forms to the concrete social relations that link agents together:
The embeddedness argument stresses instead the role of concrete personal relations and structures (or "networks") of such relations in generating trust and discouraging malfeasance (Granovetter, 1985: 490).

Where agents are able to construct long-term relations of mutual trust, malfeasance is kept in check. This is true whether these relations are contained within firms or stretch across a market boundary.

The development of stable networks of trust relations can, therefore, serve as a more effective means of integrating activities than any formal vertical integration:

(W)e should expect pressures towards vertical integration in a market where transacting firms lack a network of personal relations that connects them or where such a network eventuates in conflict, disorder, opportunism, or malfeasance. On the other hand, where a stable network or relations mediates complex transactions and generates standards of behavior between firms, such pressures should be absent (Granovetter, 1985: 503, emphasis added).

If ED agents are substituted for 'firms' in the above statement, then this describes precisely the situation regarding the integration of the division of labor in local ED.

Granovetter makes reference to networks of social relations as a means of organizing behavior. I want to suggest, using Granovetter’s framework, that the division of labor in local ED is integrated through local ED networks of trust relations. Note that the critical feature of these structures is the nature of the social relations rather than the organizational form. Local ED networks are
defined here as *structures of social relations of trust that serve to integrate the division of labor in local economic development.*

Transcripts repeatedly point to the trust established between ED agents as the critical basis upon which cooperation is facilitated:

Trust is another key word in this. (x) emphasized cooperation and our ability, his organization (the chamber) and ours (the utility), to be effective on behalf of this region, (but) you (also) have to have a trust level at the local level with all these different entities and their assurance that they'll get their opportunity at the right time (Utility official, February 1993).

One of the things I have found and it goes back to... the networking in economic development, is the personal relationships that you’ve developed and the trust that you’ve developed with these individuals is 75-80 percent of it (City official, November 1992).

There are multiple aspects of the mediation of investment that are facilitated through the trust relations that develop between agents. Flows of information concerning prospects for example, will be much less constrained where trust is endemic:

That (lead information) comes with trust. Those kinds of new injections of information certainly come from developing the trust that when they tell us something that we’re gonna hold it confidential (Chamber official, November 1992).

The ability to conceal information is clearly a critical constraint that can be relaxed where agents are dealing with trusted *confidants*:

A lot of it is a matter of trust because you’re dealing with a lot of confidential information... you have to honor people’s requests not to reveal confidential information (City official, July 1992).
Some of it is really just developing a relationship between the realtor and myself that they realize that 'yeah if you work with 'em there's not gonna be a leak'. So there's a certain amount of trust that has to be developed (City official, November 1992).

I think we are able to keep those secrets as well as anybody, I think again we're trusted. Brokers trust us... we do a real good job of publicizing things as little as possible. The financial information we get for enterprise zones, well by law it's supposed to be public knowledge, we have done a great job of keeping it from becoming public (City official, October 1992).

A second problem of integration is the non-correspondence of localities of interest. This results in the concern that prospect information may be used in an opportunist fashion to guide prospects beyond the locality of interest of the agent with the original lead. Once again this chronic problem is solved through the construction and reproduction of reciprocal trust relations between agents.

The general norm of behavior is referred to as "honoring the source" of the lead:

If I get a project... I've got the lead on it. He (the utility ED agent) recognizes that everything he does is in support of me. He will not, on the side, say 'hey, you've gotta see this site I can show you down in (x)' or wherever. I will guarantee you that he is not going to do that to me (Chamber official, July 1992).

We all understand that when you come with a lead to us we'll honor your territory and we'll show what's there (Utility official, November 1992).

That's where you've really got to build up a trust because they have a client that they're working with and the last thing in the world you want to do is say, 'oh I know a better site over here' (State official, August 1992).

There is no contractual basis for these relations and indeed, it is unclear that formal contracts could even sustain the necessary trust relations:
It's pretty much on an individual trust basis... it's pretty much (a) gentlemen's agreement (Chamber official, October 1992).

The extent of trust relations therefore, has a critical bearing on the relationship between lead organizations and local ED agents. This is not to say that vertical integration may not perform the same function. Rather as trust relations develop so an ED organization may find itself in a position where it can delegate more of the tasks it previously performed itself.

For example, the role of local agents is largely determined by agents supplying lead information. Clearly the prospective firm has critical input into the progress of the location search, but the concrete tasks of assembling information, identifying potential sites, coordinating the activities of local agents, and planning visits to sites and localities, are undertaken by the agent or agents coordinating the project.

The IOUs and metropolitan chambers may, however, be able to delegate some of this responsibility in the case where they can trust that local agents or local ED organizations will perform satisfactorily. The IOUs and metropolitan chambers have a long history of experience with mediating external investments. The growth of local ED organizations, whether in the form of city and county ED departments, ED arms of local chambers, or various public-private combinations, is generally a much more recent phenomenon (Eisinger, 1988). These organizations can, plausibly at least, be seen as displacing the role of established ED agents in the attraction of investment. However, there are
multiple complementarities between traditional and new organizations.

Furthermore established ED interests have often played a critical role in the very formation of the 'new' agencies. The evidence, from interview transcripts at least, indicates that their involvement is substantial.

These local ED agents may perform a number of tasks previously undertaken by the IOUs or metropolitan chambers. These can include: maintaining current information on available sites and services; developing an awareness of the ability of local officials to maintain confidential information; and seeking to make sure that incentive programs are in place and that local officials are aware of the procedures for granting incentives. As these local agents build a credible relationship with lead channels more responsibility is likely to be shifted to the local level.

Interestingly, many aspects of this relationship are reminiscent of general subcontracting relations in industry. Leads are exchanged for local cooperation and the business of ensuring that cooperative structures are in place is delegated to a second-tier of local ED agents, working on behalf of a limited number of lead sources in any given region. As local competencies are constructed the pressure to vertically integrate is displaced by the reliance upon networks of trust relations linking lead organizations to local agents.
In broad terms local ED agents are delegated the responsibility of ensuring that a physical and social infrastructure is in place in order to facilitate potential investments in the locality:

Again its networking... don’t wait till you’ve got a prospect to make that initial contact with a community... you need to be out there ahead of time (Utility, February 1993).

Established ED agents play an important role in constructing this local social infrastructure:

We act as a consultant for the communities in terms of the development side. (We bring) groups together in the community that have not maybe worked together and appreciated each others attributes. And it kinda makes people focus where they need to be in the next five or ten years. And it helps us in development because we have a community that then is prepared in advance (Utility official, August 1992).

Established private agents will, however, be careful to ensure that local organizational structures do not wholly displace their own role in local ED:

Our objective is not necessarily to be the lead organization wherever we go. Whenever we start an economic development organization, we deliberately set it up such that we’re still gonna be a player but we’re not the only guy in place (Utility official, November 1992).

Where lead information is brought by the IOUs and metropolitan chambers to local ED organizations these established agents are likely to continue to provide direction in making local arrangements:

At some point they’ll bring the city manager in, or the mayor, or a member of the council or the council committee chair that has economic development. I kinda leave that to them, within reason. I mean sometimes they wanna bring ‘em in on the first blush and I say ’I don’t think its time for an elected official’ (Utility official, February 1993).
The general extent to which responsibility is delegated to the local level, thereby displacing the pressure to vertically integrate, is determined by the degree to which trust has penetrated these relations or what might be termed the 'strength' of the relevant local ED network.

**Conclusions to Chapter 3**

This Chapter has examined the problems of integrating divisions of labor and their particular manifestation in the case of local ED. Three specific problems were raised: the non-correspondence of agents; the covert nature of prospecting; and a general failure of agents to adequately perform in their assigned role. Each of these problems of integration is capable of jeopardizing the integration of separate labors that underlies the viability of the attraction effort. The costs of failed integration are seen to be considerable.

Market solutions to the integration problem cannot be relied upon in this case in light of limited substitutabilities in exchange relationships and the need for transaction-specific investments. Many of the problems of integration might lead one to expect a greater vertical integration of ED activities as a response to market failure and there are indeed instances in which limited vertical integration occurs. However, a series of counter-pressures limit this tendency. Furthermore, the argument is made that the division of labor in local ED can be integrated without recourse to hierarchical solutions. The development and reproduction of
stable networks of trust relations between ED agents allow for the integration of local ED activities. These structures of social relations of trust are termed local ED networks. The extent of these trust relations, or the 'strength' of local ED networks, determines the extent to which lead organizations can delegate responsibilities in the mediation of investment to local ED agents.
CHAPTER IV
LOCAL ECONOMIC DEVELOPMENT NETWORKS

INTRODUCTION

The purpose of this Chapter is to explore further the concept of a local ED network introduced in Chapter 3. In that Chapter the claim was made that networks provide a viable alternative to the vertical integration of the division of labor in local ED in light of the failure of market coordination. This Chapter examines in a more specific fashion the conditions that give rise to the development of local ED networks. These networks also have a particular spatial-hierarchical expression that is examined in this Chapter. While networks serve to integrate the division of labor in local ED there are a number of tensions that remain embedded in the relation between ED agents. This Chapter examines the form of these tensions and the procedures used to reproduce local ED networks in the context of these tensions. Where latent tensions become...
manifest local ED networks are likely to be undermined and in the final part of this Chapter an illustration of network failure is examined.

WHY NETWORKS AND TRUST RELATIONS?

Given the absence of any viable coordination of the division of labor through market mechanisms Chapter 3 examined tendencies towards vertical integration as a possible solution to the integration problem. Countervailing pressures were also identified and an argument was made that in place of vertical integration the division of labor is coordinated through local ED networks of trust relations. Interest focuses here on why the division of labor in local ED tends to coordination through this particular organizational form.

Recall Granovetter’s argument that economic action is embedded within social structures and that transactions take place within structures of concrete personal relations. Where markets fail as a coordinating mechanism Granovetter argues that these structures of social relations are critical in ordering economic transactions. The development of long-term and repetitive relations between agents on the basis of a reciprocity of trust enables them to transact in a cooperative fashion without recourse to the hierarchical authority of vertical integration.

In the case of organizing for local ED two conditions are especially significant in the development of networks and trust relations. The first is a
limited substitutability between ED agents in terms of who they can choose to work with. The territorial monopolies of electric and gas IOUs, for example, ensure that local ED agents cannot substitute one gas or electric IOU for another. In similar fashion, a developer of sites cannot substitute between local governments in securing the necessary infrastructural improvements for a site that is owned in a specific local government jurisdiction. In situations of this nature, i.e., given the absence of alternative partners, ED agents must develop cooperative relations.

A second aspect of the division of labor in local ED generates a similar tendency to the development and reproduction of networks of trust relations. This is the transaction-specific nature of the investments made in interactions between ED agents. Recall that each project must be customized according to parameters established by the prospect. Investments that are made in interacting with other agents cannot then be readily transferred to other projects or sites.

In combination the two conditions prove highly problematic for individual ED agents. Local ED networks provide a viable means by which difficulties of this nature can be addressed. Each of these problems is expanded upon below.
The limited substitutability between economic development agents

Limited substitutabilities between ED agents are of two types and each reflects a distinct phase in the mediation of external capital investment. The first is a limited substitutability in the supply of leads. The second is a limited substitutability in the supply of appropriate investment sites. A discussion of each follows.

Limited substitutability in the supply of leads

The evidence in Chapter 2 indicates that the supply of leads in any locality tends to be monopolized by select agents. Industrial prospects, or their agents, will contact or be referred to, the relevant IOUs. Commercial leads, on the other hand, are generally channelled through the metropolitan chambers of commerce. This is not to say that the IOUs and metropolitan chambers have a complete monopoly of leads. Some prospects will choose to make a direct contact with local ED agents including those firms, noted in Chapter 2, that make significant demands on municipal services or need approval for the use of hazardous products. The profile of these leads, however, tends to be dominated by less attractive prospects. Direct leads to more local agents are much more likely to represent smaller developments, retail projects with limited multiplier effects, and firms relocating within the metropolitan area:
Not too many will come that way (direct contact), certainly not too many big ones come that way. Generally the big ones come through other avenues (City official, September 1992).

If you're going to put a Chi Chi's restaurant in (locality x) you may in fact deal with the City or the County... If you are a West German manufacturer that's going to build a plant, now that will come through the Chamber (Chamber official, October 1992, original emphasis).

The quasi-monopolies of the IOUs and metropolitan chambers mean that there is no recognizable 'market' in leads. Developers, local chambers and local governments are dependent upon these select 'lead-rich' agents for prospects. Local agents simply cannot substitute other electric and gas utilities or another metropolitan chamber of commerce in the attempt to secure leads.

The limited substitutability of IOUs and metropolitan chambers would not be problematic were local agents capable of circumventing established channels of lead information. Yet, local chambers, local government ED departments and individual developers are all hindered in their ability to tap alternate lead sources. Consider the situation of each in turn.

Local chambers are generally limited in their resources and, as a result, ill-equipped to provide a full range of location assistance services. A local chamber with 500 members makes the following claim:

Because of our size it's very difficult for the local chambers to really get involved in ED prospecting. The (metropolitan chamber) in conjunction with (the utility) do a lot of that for the region (Chamber official, August 1992).
A number of the larger peripheral chambers, such as the Lorain County Chamber and the Clermont County Chamber, maintain current inventories of developer-held sites however, and these chambers have a greater potential to capture leads directly.

Developers and realtors, on the other hand, tend to be hindered in their attempt to secure direct leads for the reason outlined in Chapter 2. The argument there was that these agents are handicapped by their perceived inability to even-handedly represent the full range of available sites within a metropolitan market:

Many clients won’t come to a local broker initially because they’re really interested in the broad picture, and they have a concern, real or not, that they’re only going to see what the local broker decides they can see (Utility official, February 1993).

In their turn, local governments are also impaired in establishing direct ties to prospects and location consultants. Difficulties arise as the result of the belief that they are incapable of concealing the search process. Many local government officials have difficulty in conceiving of alternate means of securing leads other than through established channels:

I just can’t fathom in my mind how you’d have the volume to make it successful. The trickle of calls that might come in, you might get four or five calls a year ...you are dependent, at least from a local perspective, on some regional network (City official, August 1992).

Additionally, local governments tend to be constrained by the recency of their interest in local ED. Local chambers of commerce are afflicted with the same problem. The power of the IOUs and metropolitan chambers is, in part, a
reflection of their long-standing expertise in site location assistance and the
development of long-term relationships with individual firms and location
consultants. Local chambers and local government ED departments have no
equivalent track record upon which they can capitalize.

The relationship between lead-rich ED agents and their local counterparts
would seem to be an asymmetric one therefore. Yet, the power of lead-rich
agents is moderated by a second characteristic of business recruitment efforts,
namely the limited substitutability of investment sites. The lack of a free market
in sites proves problematic for lead-rich agents. While they may receive a steady
stream of leads their efforts will come to nought should they be unable to match
prospects to cooperative local ED agents with appropriate sites.

**Limited substitutability in the supply of sites**

While prospects rarely consider one site alone there are, nonetheless,
multiple locational requirements that can radically reduce the number of
appropriate sites in any locality of interest. Specifications can be both varied and
numerous, including: site or building size; general site location; transportation
links; infrastructural capacities; and labor supplies. The number of potential sites
will be further limited through the locational discretion exercised by the
mediating agents. These intermediaries will carefully screen information so that
only what they regard as the best sites are brought to the attention of the
prospect. In this fashion their credibility with prospects and consultants will be reproduced. Therefore, although one can expect the IOUs and metropolitan chambers to attempt to maximize the range of sites considered by the prospect, this has to be done within the parameters provided. The credibility of the agents can be seriously damaged should they submit a wealth of inappropriate sites:

   We don’t wanna send twenty-five sites and for somebody to look at twenty-five sites and say, 'these guys want to look at ten sites in the State and (this locality) sends me twenty-five - what the hell! What’s the best site of these twenty-five so that I can at least get them up there?’ So we send the best... if we don’t have what they’re looking for we tell them - 'we don’t have it'. That’s where your credibility comes in (Chamber official, November 1992).

The finite nature of potential sites accords local, or site-specific, ED agents some compensatory leverage over their lead suppliers. Conceivably, a local government or site owner may refuse to fully cooperate with a lead-generating agency, holding out for a more 'suitable' or 'attractive' stream of future prospects.20

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20 This strategy of holding land for a more suitable prospect is exactly the strategy practiced by the IOUs that own industrial real estate. Railroad companies will also purchase and stockpile land for attractive prospects. This can create some tension with other local ED agents, such as a local chamber or local government, that may want to see land sold and developed more quickly. The comments of one city's ED director are interesting in this respect: "For a long time the railroad owned a lot of the land, a lot of the sites... (I tried to) get as much of that land as possible out of the hands of the railroad because they weren’t doing anything with it... I finally got a developer to buy it all and within months (company x) broke ground" (City official, October 1992).
The difficulty of the limited substitutability of sites accords the IOUs and metropolitan chambers a significant incentive to encourage the provision and multiplication of adequately serviced sites, as well as enhancing the local social infrastructure for local ED. To this end the utilities will actively lobby local governments to zone land for industrial use. Where allowed, the IOUs may purchase land themselves to set aside for industrial prospects.21

Specifically we bought them (land parcels) so that we would have industrial sites that we had control over (Utility official, November 1992).

In this particular case the IOU has previously purchased land with specific investments in mind:

(We purchased 325 acres in x) so that we had a site for Chrysler to build some car back in 1966 or 7... they wanted a minimum of 300 acres with two railroads, or at least one rail and access to a superhighway… they decided not to do it. We had 325 acres for a long time (and) we just sold it to a developer (Utility official, November 1992).

While IOUs are subject to the various legal limitations on landholding noted in Chapters 2 and 3, there are no such restrictions on chambers of commerce and note has already been made of the role of the Middletown Area Chamber in developing an industrial park in the early 1950s. The Springfield Area Chamber of Commerce is also active in assembling and developing land for industrial use through its Community Improvement Corporation. This agency

21 These purchases remain subject to the countervailing pressures against the direct IOU ownership of land noted in Chapter 3.
is now the largest developer of industrial sites in the locality. Generally however, chambers are reluctant to purchase and develop land directly in light of the potential noted in Chapter 3 for conflict with existing private developers in the locality. In both cases where chamber affiliates are active in developing sites officials argued that the developments did not directly compete with existing developments:

The market would not bear a private individual coming in and doing that in the mid-eighties. Now that's beginning to change and at some point we'll probably get out of the business, because it'll happen out in the private sector (Chamber official, October 1992).

The provision of appropriate sites is of paramount importance to lead-rich agents. Their active lobbying and cajoling at the local level is designed to multiply the number of available sites within their service territory. Yet, prospects must be provided with more than simply a suitable building or plot of land. There is a social infrastructure for local ED that must also be created and reproduced. The interaction between lead-rich agents and local ED agents is also designed, therefore, to facilitate investment through the development and reproduction of a supportive social environment for local ED:

We try to work with the folks who are in office to get them orientated to what it means to be a force in economic development. Not infrequently we give presentations to new councils. We will sit down with city

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22 The origins of development activity on the part of Springfield’s Community Improvement Corporation lie in the 1982 'rescue' from closure of the city’s International Harvester plant documented in Blair and Wechsler (1984).
councils or village planning folks and we will, I guess the right word is, teach them economic development (Utility official, November 1992).

In addition to raising general levels of consciousness about the importance of local ED, IOUs and metropolitan chambers often take steps to establish specific ED contacts and organizations at the local level.

IOUs and metropolitan chambers have a long history of involvement in the attraction of capitalist investment and a brief resume of their activities was provided in Chapter 2. The rise of local ED organizations, whether in the form of city and county ED departments, ED arms of local chambers, or various public-private combinations, is generally a much more recent phenomenon (Eisinger, 1988). Much of the recent literature on local ED has concentrated wholly upon the activities of these 'new' ED organizations. Thereby excluded from these accounts is any consideration of the existing structure of private ED agents and the impact of this structure on the evolution of 'new' organizations. The evidence from interview transcripts indicates that the involvement of traditional ED interests in the formation of the 'new' ED organizations is in fact substantial.

Often the role of the IOU or metropolitan chamber will be one of simply bringing together agents in the locality with a suspected shared interest in local ED:

_We act as a consultant for the communities in terms of the development side. (We bring) groups together in the community that have not maybe worked together and appreciated each others attributes. And it kinda_
makes people focus where they need to be in the next five or ten years. And it helps us in development because we have a community that then is prepared in advance (Utility official, August 1992).

Private agents will be careful to ensure that where concrete local organizational structures emerge, they do not entirely displace their own role in local ED:

Our objective is not necessarily to be the lead organization wherever we go. Whenever we start an economic development organization, we deliberately set it up such that we’re still gonna be a player but we’re not the only guy in place (Utility official, November 1992).

The creation of a supportive social infrastructure for local ED is therefore, an integral part of the strategy of the IOUs and metropolitan chambers of multiplying appropriate sites. Quite often these general activities are complemented by intervention that is of a much more project-specific nature:

There are times that cities run into problems where they want to bring in a new company and so many times neighbors and communities are only concerned about their own property value... sometimes we have to help them paint the bigger picture (Chamber official, September 1992).

It is perhaps useful at this point to summarize the argument presented so far in this Chapter. The claim has been made that ED agents are limited in their ability to substitute who they choose to work with. That is to say there is no free exchange of ED partners. Local ED agents -- local chambers, developers and local government ED departments -- are dependent upon IOUs and metropolitan chambers for the supply of leads and these channels cannot be readily circumvented. This virtual-monopoly of lead information gives the IOUs and metropolitan chambers significant power in their relationship with local ED
agents. On the other hand, however, this power is moderated by the fact that prospects must be matched with customized sites. Limited substitutabilities in available accords gives local agents some compensatory leverage with respect to their lead suppliers. A site owner may refuse to sell to a certain prospect or a local government may refuse to make necessary infrastructural improvements. The danger here is two-fold. On the one hand failure to find appropriate sites will jeopardize the viability of a project within a lead organizations locality of interest. Secondly, the credibility of lead-rich agents with their own sources of leads can be seriously undermined by failed attempts to find appropriate sites and a supportive local social infrastructure for local ED. To this end, IOUs and metropolitan chambers will actively encourage the multiplication of sites and the development of a local social infrastructure conducive to local ED.

It would seem that, despite the compensatory leverage of local ED agents, the balance of power remains with the IOUs and metropolitan chambers by virtue of their quasi-monopoly of leads. IOUs and metropolitan chambers are territorial monopolies that local ED agents simply cannot circumvent. IOUs and metropolitan chambers, on the other hand, are more likely to be able to substitute between sites and site-specific local ED agents. The substitutabilities are somewhat asymmetric therefore. However, the problem of a limited substitutability in sites is significantly magnified by a further characteristic of
interaction between ED agents. This is the transaction-specific nature of the investments that are sunk in developing a project.

The transaction-specific nature of investments

The problem of transaction-specific investments for lead-rich agents originates in the customized nature of individual projects. As noted in Chapter 3, each prospect brings an extensive and particular set of locational requirements:

Every project that comes in has different parameters on it (Chamber official, July 1992).

In addition to detailed site and location specifications, prospects may also influence the manner and sequence in which ED agents are incorporated into the project:

A lot of this is not by formula... sometimes the prospect doesn’t want to be known to the locals as to who he is but he still wants to talk to them. A lotta times he doesn’t really wanna talk to the elected officials, he wants to talk to the planning director or the development director and sometimes its all done in total confidence (Utility official, February 1993).

Incentive packages must also be customized in each individual case:

Sometimes the incentive package that can be offered... will be significantly different for a particular prospect given their unique circumstances (Utility official, February 1993).

The provision of location assistance to a firm involves a considerable investment of time and energy on the part of the ED agent coordinating the project. This lead agent will have prepared and collected relevant information,
screened these materials, and, at a later stage, convened the appropriate local agents for site visits. A prospect may in fact make several site visits with the lead agent:

First go around is simply elimination really, they're just gonna look at sites and that's how they eliminate sites. The second one is to maybe reconfirm the shortlist of three or four sites and the third time is to go in to those final two or three, meet with public officials, explain to them what your program is, explain to them what you plan to do, find out what type of incentives will be available... See if you would be welcome there. Do they want your business? Are they willing to put something on the table in terms of incentives? (Utility official, August 1992).

The customized nature of projects further ensures that the precise role of ED agents at the local level must be renegotiated on a project by project basis:

I'm going to work with the head of the (local) delegation and (say) 'Ron, I'll coach you. I know that this is the nature of this business, these are the things that are important' (Utility official, February 1993).

The fact that cooperation must be reforged in each case prevents any significant standardization of interaction between ED agents.

As a result of the project-specific nature of interaction between agents the investments of time and resources in the development of a project cannot be readily transferred to other projects. If the situation were such that projects had a standard set of characteristics then much of the cooperation between agents would be portable between projects.

This is not the case, however. The heavy sunk costs incurred in the development of a project are not necessarily problematic. In the situation where a prospect makes an investment within the locality of interest of the ED agent...
then these sunk costs will be more than recovered by virtue of the additional revenues generated through the investment. In most cases prospects will not develop into concrete investments in the relevant locality of interest. In this case the immediate sunk costs cannot be retrieved although the agents may have been able to establish or enhance the critical trust relations upon which successful cooperation is constituted.

Much more problematic however, is the situation in which a project is compromised through malfeasant behavior on the part of a participating ED agent. There are many different forms that this malfeasance can assume and several were documented in Chapter 2. Whether it is a break in confidentiality, a failure to deliver expected incentives, or the steering of a prospect into a locality of interest beyond that of the lead ED agent, the project may be lost through avoidable circumstances. In each case the agent handling the original lead will again be unable to retrieve the significant investments of time and resources sunk in the process of project development. In this case however, the loss is complete given the failure to establish the trust necessary for any further collaboration.

23 "Your rate of success is not all that great, you have a lot of lookers. You've got to kiss a lot of frogs before you can get a prince" (Utility official, July 1992).
THE CODEPENDENCE OF ECONOMIC DEVELOPMENT AGENTS

It should be clear, therefore, that lead-rich agencies -- the IOUs and metropolitan chambers -- have a strong stake in establishing trustworthy contacts at the local level. The problem of a limited substitutability of sites is magnified by the project-specific investments of time and energy made in the effort to complete a project. The combination of a limited substitutability of sites and the transaction-specific nature of investments sunk in interaction creates a substantial dependence on the more local, site-specific, ED agents.

Nevertheless, there is an analogous problem for the local ED agents themselves. The territorial monopolies of the IOUs with respect to industrial leads and those of the metropolitan chambers in the case of the non-industrial, ensure that developers, local chambers and local government ED departments are reliant upon these organizations for the provision of lead information. In short, agents are dependent upon one another via the exchange of leads for local cooperation. Leads and sites must be harnessed together via cooperation through local ED networks.

This exchange of leads for local cooperation takes place on the basis of a shared interest in a particular geographic space. Accordingly, these exchanges, and the local ED networks through which these exchanges take place, have a particular spatiality. The spatiality rests on two important characteristics of the division of labor. The first is that networks exhibit a particular spatial-
hierarchical form or a scale division of labor. The second aspect concerns the localization of trust relations within this scale division of labor.

**The spatiality of local economic development networks**

Chapter 2 made note of the immobilities that provide a material basis for an interest in local ED. These immobilities generate an interest in ensuring that revenues flow through relations that are attached to a particular locality. ED agents cooperate in the attempt to capture additional revenue flows, in the form of external capital investment, on the basis of some correspondence between their localities of interest. Nevertheless, localities of interest may not be necessarily congruent and this fact lies at the heart of the problem of the territorial non-correspondence of ED interests noted in Chapter 3.

Despite the particular nature of individual localities of interest there is, nevertheless, a discernible pattern in the manner in which ED agents of different territorial scope relate to one another. Chapter 2 made note of the different powers and liabilities of ED agents as the basis for their particular role within the division of labor in local ED. Yet, this division of labor is based on more than the social powers and liabilities of different interests. Each of these interests has a particular spatial extent that accords their social powers and responsibilities a certain territorial scope.
The scale division of labor

Put another way, the division of labor in local ED has a spatial dimension that translates into a particular *scale division of labor*. This scale division of labor is already implicit in a number of the terms used to describe the division of labor outlined in Chapters 2 and 3. Note was made in Chapter 2 for example, of the division between 'lead-rich' and 'local' or site-specific ED agents. The implication here is that local agents are of restricted territorial scope compared to the sources of their leads. It is important at this point to make explicit the spatiality of the division of labor in local ED and its peculiarly spatial-hierarchical form.

Figure 3 portrays schematically the spatial-hierarchical form of the division of labor in local ED. IOUs and metropolitan chambers can be seen to serve as the critical interlocutors between prospects, or their agents, and local or site-specific ED agents. The ability of IOUs and metropolitan chambers to insert themselves between the broader context of leads and local agents, rests in part on the rough correspondence between the territorial scope of their capacities and the geographic scope of the site selection process. Clearly these two territories are rarely ever entirely congruent. Nevertheless, the IOUs and metropolitan chambers prove to be far more suitable vehicles for providing assistance in the location search than ED agents of more limited territorial scope. Included here
FIGURE 3: The Spatial-hierarchical Form of the Division of Labor
are local government ED departments, local chambers and individual site owners and/or developers.

Industrial prospects in particular, are liable to be engaged in a site search that is at least multi-county, often multi-State and at times national or even international in scope. The site search in the case of a commercial prospect is more likely to be restricted to a limited number of metropolitan markets. The localities of interest of the IOUs and the metropolitan chambers, and hence the territorial extent of their capacity to assist prospects, are likely to correspond much more closely to the geographic parameters of a prospect’s site search.

Prospects generally select metropolitan or supra-metropolitan regions as they narrow their search. It is within this regional context that local agents then select particular sites for further consideration. Whereas local agents are tied to a particular site or limited set of sites the IOUs and metropolitan chambers are capable of representing a diversity of site and location options:

That’s really one thing that we bring to the table being a regional organization... we can identify for the customer alternatives whether they’re interested in a rural area, a suburban area or a central city location (Chamber official, October 1992).

Conversely, local agents have more narrowly circumscribed interests and this can work to their disadvantage in the attempt to tap leads directly. The capacities of local government ED departments, for example, are bounded by municipal jurisdictional limits:
They have to limit themselves to the City limits... Seventy-five percent of facilities that could make a project do-able may fall outside the City limits. The City can't really represent those (Chamber official, July 1992).

These local interests are simply of insufficient territorial scope to be able to establish direct contact with the broader structure of leads.

It follows, therefore, that local organizations are unlikely to profitably engage in national or international ED marketing given the particular spatial-hierarchical form of interaction between different ED agents. It is unlikely, for example, that local agents will be able to limit the consideration of sites to their own particular locality of interest. The comments of a local government official in a city of population 10 000 are interesting in this respect:

Even if you’re successful in bringing someone into this area, they’re not gonna limit themselves to (this city), they’re gonna travel around (the region) (City official, September 1992).

You’re not gonna find that (marketing) in... the small communities around here... because it’s not financially viable for them to do. It doesn’t make good marketing sense to go market a very small town because if you’re going to try and play in those leagues you’ve gotta market a region (Chamber official, July 1992).

Therefore, local agents are dependent upon ED agents of regional scope to channel leads into their particular jurisdiction. Given the limitations of direct marketing local agents will often try to better the position of the locality with respect to regional agents and regional ED marketing activities:

What a local chamber will often do is try to package the community and develop a community profile - information on sites and buildings - kind
of low cost things... and if they’re smart then they’ll try to link up with the regional group (October, 1992).

The localization of trust relations

The local dependencies of ED interests limit the territorial scope of their ED activity. Yet agents are also immobilized through their relation to one another. The trust relations that form the necessary condition for local ED networks are localized relations within the spatial-hierarchical structure noted above. Agents are dependent upon one another but this dependence also tends to be scale specific. Were the IOUs or metropolitan chambers indifferent to local ED, local agents would need to reconstruct some alternate regional institution in order to facilitate interaction between prospects and ED agents of local scope. Their attempt to attract external capital investment would otherwise be seriously jeopardized.

These localized trust relations tend to become more secure over time as ED agents build a track-record with one another of successful cooperation. As a result, ED agents become ever more deeply embedded within localized exchange structures. Consider the nature of some of these locality-specific investments and the immobility that results. For the professional ED agent attached to a chamber these investments include the time and energy spent in establishing contacts and developing the local knowledge necessary to further the development of projects
within that particular locality. ED agents with the IOUs must similarly construct a web of relations with trusted local ED agents:

There's no real formula here, you just need to know your communities, know your areas and there's no other way to do that except getting out and meeting with the people... Again its networking... don't wait till you've got a prospect to make that initial contact with a community... you need to be out there ahead of time (Utility official, February 1993).

Developers and site owners must similarly cultivate the trust and cooperation of local government officials and the local chamber on the one hand and lead-rich agents on the other. Over the longer term developers may be able to transfer their investments to the territory of another IOU or metropolitan chamber. Likewise the ED agent working for a chamber can build a stock of knowledge applicable to other localities of interest. But neither of these strategies are plausible in the short term:

The personal relationship is exceptionally important. I think that's why it's very difficult to move from a position like this outside of (your) contacts. It is a time-consuming process to pick up these kinds of relationships. You can only do it by performance and it is an expensive learning curve outside of the relationships that you've known and studied (Chamber official, May 1992).

Job markets for the local ED professional tend to be fairly constrained as a result. Given the spatial hierarchical structure of relations local agents may be able to move more freely within the jurisdiction of a particular IOU or metropolitan chamber. A transfer into another locality of interest altogether may prove much more difficult, at least in the short term:
There would be a learning curve obviously, when you first entered a Memphis, Tennessee. You'd be at a disadvantage... there's no question your credibility would be right here until you began to prove that you were an interested player that was willing to play the game the way it's being played in Memphis and its probably being played somewhat differently in Memphis. I don't know who the significant players are, but you could adapt to that and given some time, and there's no question it would take some time, you could achieve the same kind of things (Utility official, February 1993).

The personalization of localized trust relations can also prove problematic for ED organizations when confronted with staff turnover:

One of the real challenges... is getting younger people into our organizations that can spend the time to begin to, not necessarily learn how we do things, so much as develop that same level of credibility, so that if I move on there won't be a gap in that (Utility official, February 1993).

ED agents must be cautious in their contacts with other agents until these necessary trust relations are in place. Once a set of relationships has been established however, this socio-spatial network of relations is generally resistant to systemic change. Inertia of this kind is common in situations in which trust relations play such a key role (Granovetter, 1985: 496).

TENSIONS WITHIN LOCAL ECONOMIC DEVELOPMENT NETWORKS

The argument has been made that networks of trust relations appear to solve many of the problems inherent in integrating the division of labor in local ED. Yet, while networks provide a vehicle for the integration of these labors
many of the problems remain latent within network structures. There are therefore, tensions that the network helps to evade but not eliminate. Tensions within the network ensure that once established, the reproduction of the structure of socio-spatial relations between agents is never automatic.

The difficulties that arise in the reproduction of local ED networks largely concern the neglect of particular ED agents and/or their exclusion from the network structure. Local government ED departments that prove unable to maintain the confidentiality of information for example, are liable to be excluded from any further circulation of lead information. On the other hand, where ED agents of regional scope are perceived as performing poorly in the delivery of leads local agents may try to bypass these established channels.

Tensions within local ED networks produce two different forms of neglect. In the first instance particular agents, or localities, may be sanctioned through deliberate exclusion as a means of enhancing the effectiveness of the network. This can be termed *systematic* or intentional neglect. Systematic neglect itself is of two kinds and these can be termed *structural* and *strategic* forms of neglect. The converse of systematic neglect is neglect of an unintentional nature, referred to here as *inadvertent* neglect. Each case is explored in turn using illustrations from transcripts.
Systematic neglect

The systematic neglect of ED agents presupposes a power asymmetry within local ED networks. The principal asymmetry of interest here is that between regional ED agents and their local counterparts. Note was made in Chapter 3 of the power of IOUs and metropolitan chambers that results from their control of lead information within metropolitan areas. In part this power rests on the particular spatial constitution of local ED networks outlined above and their ability, albeit finite, to substitute between different local agents and localities. Through their control of lead information regional-scale agents therefore maintain considerable leverage with respect to local ED interests. This power asymmetry is used to cajole local agents into the provision of suitable investment sites. However, the leverage over local agents can also be used in a coercive fashion to sanction or exclude particular agents from the local ED network. Transcripts indicate that there are actually two forms of systematic neglect depending on the intended goal of the practice.

Systematic strategic neglect

In the case of strategic neglect sanctioning powers are employed on a potentially short-term basis in an attempt to leverage local agents into ensuring a more adequate form of support for ED projects. Lead organizations may first try
to negotiate better terms of local support before excluding local agents from the
circulation of lead information.

Chapter 3 outlined three common sources of problems in the integration
of the division of labor in local ED: the non-correspondence of localities of
interest; the covert nature of prospecting; and the failure to adequately perform
in an assigned role. Where these problems are actually manifest in the behavior
of agents, sanctions and exclusion from local ED networks may follow.

Consider first, the opportunist use of prospect information by an ED
agent in bringing a prospect's attention to sites beyond the locality of interest of
the lead organization. Recall that this problem is controlled through the
generalized rule of 'honoring the source' of the prospect. Agents that violate the
norm are liable to be sanctioned through exclusion:

You *have* to honor the source of the prospect and if you don't do that
you will be relegated to the leper colony so fast you won't know what hit

If they're... spiriting prospects somewhere else... that will only happen
one time, they know that. They won't be on your list the second time if
they were to do that (Utility official, February 1993).

If in the process somewhere along the line he violated confidence or he's
tried to get this prospect away and take him off on his merry way to
strictly focus on what he can do to my detriment I will *never* use him
again in the process. I will never do it (Chamber official, July 1992,
original emphasis).

This final of these three quotes indicates that in addition to opportunist
behavior that arises through territorial non-correspondence, agents may also be
excluded from local ED networks should they prove unable to protect the confidentiality of prospect information:

A lot of it is a matter of trust because you’re dealing with a lot of confidential information... you have to honor people’s requests not to reveal confidential information. If somebody violates that, then they’ll get a reputation for it and nobody will do business with them and eventually they’ll just wither and die right on the vine (City official, July 1992).

While the problem is one of a general nature, it is seen to particularly afflict elected officials. Where these officials violate confidentiality in using information in a politically opportunist fashion, they may be subsequently excluded by lead organizations from any further circulation of information:

The problem is not infrequent that they want to make the announcement because their egos are so swelled that they can’t do it any other way. And what that does to me is it kills off the possibility of continuing to bring people to that administration if they’re gonna act the same way. I just can’t do that. So that’s how I get around it. I hate myself for doing it because there are some nice places in (city x) that I’d like to see industry built (Utility official, November 1992).

In certain cases ED agents may be able to find alternate contacts within the relevant locality:

Once you take ’em to the mayor and find out (that they break confidentiality), you know damn well the next time that you have some involvement with that community you deal with somebody else just because of what happened the last time (Utility official, February 1993).

There are a third set of circumstances likely to lead to neglect and possible exclusion from local ED networks. This set concerns the delivery of adequate local support for ED projects. The support expected of local agents by lead organizations is multi-faceted and includes the ability to steer projects
around local opposition and extract suitable incentives and infrastructural improvements from local governments. Where support is judged by lead organizations to be wanting, pressure may be applied in order to ensure a more adequate participation on the part of local ED agents. Lead organizations will effectively try to shift the terms of their trade of lead information for local support.

Pressure may be brought for a more generous use of tax abatements for example:

(When) we got the new administration, we said, 'I am not going to subject my client or prospect to this kind of treatment anymore. I can go to (suburb a), I can go to (suburb b), I can go to (suburb c), I can go to (suburb d) and all they say is, 'what do you want? How much, and where is it reasonable? Lets get on with it’" (Utility official, June 1992).

Pressure of this nature is corroborated by local government agents:

We’ve been receiving a lot of pressure in recent months from the Chamber, the business community and the utilities (saying), 'hey, loosen up guys. There’s a lot of people offering a lot more than you are and if you wanna stay in the league you’re gonna have to loosen the purse strings a little bit” (City official, July 1992).

Where lobbying of this nature fails to produce the required change local agents and localities may be excluded from the circulation of lead information. An agent notes the repercussions of one local government’s apparently over-cautious approach to tax abatement:

The problem in (city x) is, with the public school board. Everything’s a political football over there. We had companies that came in here, good companies, that had to go through an inquisition over there... they made them look like a war criminal... We had a guy go in there who wanted to
create about 200 jobs in (the city) and put about a $75 million investment in (the city) who said, 'they made me feel like a Chicago mobster' ...we used to avoid the City of (x)... There were some people in this business who said I'm not going to mess with them, I'm done with them, the heck with them (Utility official, June 1992).

Where local agents fail to provide adequate support, violate the confidentiality of a project, or use prospect information in a more generally opportunistic fashion, they are liable to be neglected within local ED networks and possibly excluded from them. Excluded agents must either then try to either re-establish their credibility within the local ED network or find alternative vehicles for the pursuit of local ED. The former can be extremely difficult:

Word gets around... the word spreads... so if a community has ruined its credibility it's awfully hard to get back (Chamber official, July 1992).

Where local agents are overwhelmingly reliant upon particular ED agents for prospects, as they are in many towns peripheral to or beyond metropolitan areas, ED agents may be simply unable to establish alternative lead channels.

In the case of systematic neglect of a strategic nature, excluded agents should be able to rejoin local ED networks on condition that the original cause of their exclusion has been resolved. In the case of a local government ED department this may happen simply as a result of the turnover of elected officials and/or appointed staff with electoral change. Where local agents prove capable of leveraging more adequate support for local ED they may also find themselves reintegrated into the division of labor harnessed through local ED networks.
Systemic neglect or a structural nature involves no such recourse for excluded agents and localities. In this case neglect is absolute.

**Systematic structural neglect**

Systematic structural neglect of ED agents and their localities of interest occurs in situations where two agents seek to serve precisely the same role in the division of labor. That is to say, the participation of one necessitates the exclusion of the other. Interests in local ED in this case are mutually exclusive. Individual site-owners confront this situation on a project-specific basis. In the attempt to provide the site for an investment, site-owners and/or developers are engaged in competition with other site-owners and developers. Where one developer or site-owner gains, others necessarily must lose out. The mutual exclusion of different developers' interests prevents collaboration between them in the attempt to attract capital investment. This is precisely the void that chambers seek to fill in serving as a collective clearing-house for the site listings of developers in the metropolitan region. Developers are rarely in a position to exclude one another from local ED networks however, given their individual inability to dominate the supply of lead information.

\[24\] Note in the case of realtors that interests are not entirely mutually exclusive given the practice of sharing commissions on exclusive listings noted in Chapter 3.
There is a second set of mutually exclusive interests however, in which the power asymmetry is such that the attempt of one to exclude the other from local ED networks is both systematic and effective. This second case concerns the role of municipally-owned utilities within local ED networks and their relation to investor-owned gas and electric utilities.

Chapter 3 made note of the pivotal position of investor-owned gas and electric utilities within local ED networks in each of the four metropolitan regions. These IOUs generate and distribute power across multi-county jurisdictions and in much of their service territory they exercise a monopoly in utility supply. However, in a limited number of areas IOUs are forced to confront municipally-owned electric systems. Ohio has eighty-four municipally owned electric utilities supplying 700,000 consumers.\(^{25}\) Many of these systems supply electricity at rates substantially below those charged by the IOUs (Daily Reporter, 27 April 1988: 2). Indeed, low municipal rates are commonly used as the principal tool in marketing these jurisdictions.\(^{26}\)

Despite the advantage of lower utility rates transcripts suggest that these areas may, in fact, be seriously handicapped in ED through their exclusion from

\(^{25}\) There are a far more limited number of municipally owned gas utilities in the State. Most of these are extremely limited in scope and serve only to distribute power purchased wholesale from IOUs. Only Hamilton, Ohio has both significant municipal gas and electric utility capacity.

\(^{26}\) Marketing material produced by the city of Painesville claims that, "We Have The Power!... electrical rates below norm in NE Ohio".
local ED networks centered on the IOUs. Antagonism between municipal and private power systems has an extended history in Ohio and this conflict seems to spill over into the ED arena (Keating et al., 1991).

One ED official in a city with municipal power notes the changing nature of the relationship to the region's electrical utility consequent upon moving to a city with municipal power:

When I was in the City of (x), (the utility) was my buddy and we were friends. I come to the City of (y) and it's like I don't exist anymore, it's amazing (City official, November 1992).

For electric utilities the concern is clearly one of losing a prospect to a municipal account in the case where sites within a locality can be served by either the IOU or the municipal system:

It's very difficult to deal with the City's department of development given the public power because they take stuff and run with it... the City may want to only locate them (a prospect) in a building that is not served by (the utility), and it's stupid for me to help them do that (Utility official, November 1992).

Where investor-owned electric utilities are the lead organization in a project other agents will be incorporated on the basis that they honor the service territory of the utility. Clearly this excludes sites that are served by municipal power systems. Albeit in a somewhat unusual form, the problem for the utilities is one of territorial non-correspondence with other ED agents.

The problem for the investor-owned electric utilities is magnified by the fact that municipal systems in Ohio are enabled under State law to provide a
certain volume of electricity to customers located beyond municipal boundaries. Investor-owned utilities must, therefore, be wary not only to avoid existing municipal service areas but also any sites within the potential reach of municipal systems.

While jurisdictions served by municipal power may be excluded from a project led by an investor-owned utility, the jurisdiction should be more favorably positioned in relation to other ED agents. Exclusion is incomplete therefore, to the extent that the locality can develop links to other sources of leads. ED agents may be able to extract lead information from the relevant gas utility or metropolitan chamber of commerce for example.27

Structural and strategic forms of systematic neglect involve a deliberate attempt on the part of certain agents to maintain the reproduction of an effective local ED network in their own interest. These networks pivot on trust relations and where these trust relations cannot be ensured, through the competitive relationship between IOUs and municipal utility systems for example, networks as a means of integrating the division of labor in local ED are vulnerable to failure.

Up to this point the discussion has focussed on the need for local agents to perform according to their assigned role in the division of labor. Where they

27 In the case where gas and electricity is provided by the same utility, municipally powered jurisdictions clearly have more limited options in tapping alternate lead sources.
fail relations with other agents are likely to be compromised. Nevertheless, agents that dominate the supply of leads -- IOUs in the industrial case, and metropolitan chambers in the commercial -- must also be seen to adequately fulfill their particular role of channeling prospects into local areas. Should these lead organizations inadvertently neglect local ED agents, these agents may seek to displace the role of existing lead organizations within the division of labor.

**Inadvertent neglect**

The credibility of IOUs and metropolitan chambers with respect to the broader structure of lead sources upon which they draw, rests in part upon their ability to submit appropriate sites. In order to do this IOUs and metropolitan chambers must filter submissions from local ED agents and provide a shortlist of the best available sites. Where sites submitted by local agents are not shown these agents may seek an explanation from the lead organization:

There's a lot of pressure on companies like ours and on the State... 'why are you not bringing projects out to us?' (Utility official, August 1992).

IOUs and the metropolitan chambers must be able to provide an adequate rationalization for the exclusion of certain sites in order to sustain an adequate relationship with local agents.

Quite frankly when we first started the program I caught hell for that. People say 'how come you're not showing this?'. 'Because these guys told me that they gotta be in the ground and built and in business by September of 1993. You don't have sewers out there, you don't have electric out there. You've got a nice piece of property and I keep telling
you guys if you want to market that piece of property you better get some sewers out there' (Chamber official, November 1992).28

We're confronted with that a lot of times... 'why don't we get a shot at this company or why didn't we get this company here'... It's prospect driven. We may have showed it to 'em and they say, 'I don't want it, I don't like it or you don't have an incentive that I'm looking for,' or 'you don't have the workforce, you don't have the access, you don't have the infrastructure' and that kinda puts the burden on them to say, 'oh yeah I got to do this, this and this to get this particular parcel available and ready for development' (Utility official, August 1992).

While rationalization on a case-by-case basis may placate local ED interests, there is chronic pressure on the IOUs and metropolitan chambers to bring prospects to localities that see themselves as adequately prepared for development, in terms of their physical and social infrastructures. Often pressure is applied by the very organizations that traditional ED interests were instrumental in establishing:

There's a lot of pressure on all of us because of these local groups (Utility official, August, 1992).

Increased pressure at the local level may also have been exacerbated by a reduction in the number of large industrial firms seeking new branch plant locations:

Back in the 50s and 60s there were new plants going in and they were getting scattered here and there... so they were satisfied back then, everybody was kinda getting something, and so we were heroes and the State were heroes... but as the 80s came along... these same communities maybe see us as part of the problem (Utility official, August 1992).

28 Note how, in this case and in the quotation that follows, rationalization is simultaneously used to leverage further supportive activity at the local level.
Where local agents perceive that traditional sources of lead information are failing in their responsibility to bring prospects to a locality, they may try to circumvent established channels for lead information. Where they are successful in doing so, existing local ED networks may be undermined to the point of collapse. What follows is an account of developments that can, in fact, be interpreted as leading to the serious breakdown of an established local ED network at the metropolitan-scale.

Network failure - the Dayton case

While the nineteen-eighties has seen a rapid growth in local ED organizations in each of the four metropolitan regions considered here, in most cases the role of these organizations complements the established division of labor in local ED. In the Dayton region, however, the growth of duplicate ED organizations at the sub-regional scale suggests a general failure of the existing metropolitan-wide or regional ED network.

The most important development in this respect, is the emergence of a collection of ED interests representing fourteen cities to the north of Dayton. The organization, known as the North I-70/I75 Development Association (hereafter the I-70/75 Association), was established in the early 1980s and the 1992 membership of the group is shown in Figure 4.
FIGURE 4: The North I-70/75 Development Association
The organization has no full-time or paid staff but manages to serve multiple roles, among which include: facilitating the exchange of general information and ideas concerning local ED; lobbying of other ED organizations such as the DoD; the development of joint marketing materials; and, more occasionally, the referral of prospect information between association members. In this respect the I-70/75 Association does not constitute a local ED network as defined in Chapter 3. There is no well-defined division of labor between individual group members as each performs a generally similar set of tasks.

Interviews with current I-70/75 Association members indicate that the origins of the group lie in the perceived exclusion of these localities from the area represented by the Dayton Area Chamber of Commerce and its ED arm -- the Dayton Development Council:

We don’t feel as though they are acting in our interests... some local communities said, ‘well all the prospects go down to Dayton, none of them come out to the suburbs’ (City official, September 1992).

In my opinion it probably would not have developed if the communities up here were of the opinion that they were getting everything they needed from the Dayton Chamber... I know that there was an opinion among the local jurisdictions up this way that we weren’t getting our fair share of the attention... there was an orientation to downtown and South but nothing up here (City official, September 1992).

Clearly the lead organization in this case is seen to have failed local interests in the task of channeling prospects to these different localities. The trust relations
between the lead organization and local agents have been undermined in the process. These relations may now be very difficult to reconstruct:

Unfortunately, once the opinion is there it's very hard to overcome that... there's a lot of distrust and its very deeply ingrained right now (City official, September 1992).

Determining the merits of arguments concerning locational bias on the part of ED agents is an impossible task given the lack of recorded information. The belief that specific localities and ED agents are unjustly excluded from the circulation of lead information is by no means restricted to the members of the I-70/75 Association however. The view is held by several other agents in the same region and by various agents in each of the other regions in this study in regard to their own lead suppliers. Consider the comments of one local agent concerning a perceived locational bias on the part of the relevant County's ED organization:

They (the County organization) spend a lot of time working where it's easiest to do economic development, which is (city x) and (city y)... my concern is that their focus doesn't seem to be always county-wide. The first place they consider is a (city x) or a (city y)... Places like (this city), or (city a), or (city b), or even (city c) are places that need the help and need to be spurred on (City official, November 1992).

What is unusual about the Dayton case, is both the general extent of distrust and the fact that this distrust has generated the development of a collective alternate ED organization in the form of the I-70/75 Association.

Arguably, however, fragmentation in the Dayton region has been helped by a number of contingent conditions and events. In the first instance, a number
of the I-70/75 Association members are fortuitously located in relation to the
highly visible wave of Japanese investments into the western portion of the State
in the nineteen-eighties. One official notes that:

There was a three year window in the late eighties when there wasn’t a
week went by when there wasn’t some Japanese company parading
through here (Chamber official, October 1992).

Many of these firms are leery of locating in close proximity to existing
centrations of unionized plants, such as the General Motors’ facilities in the
Dayton area. Promotional material prepared by the I-70/75 Association notes
instead that:

The rural and small town background of much of this area has armed
workers with a strong sense of responsibility to perform their work and to
respond favorably to a fair and considerate management style (North 170-
75 Development Association, nd).

The collaboration of agents in the development of marketing materials is
an indication that through an inter-locality coalition the I70-75 Association can
try to surmount the difficulties that arise in marketing local jurisdictions, noted
in Chapter 3. Through regional identification local agents may be able to

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29 Many of these plants have made significant layoffs in the nineteen-eighties
but, nevertheless, there remains a strong association between Dayton and General
Motors. In 1969 GM’s four Dayton area plants collectively employed 33, 347
workers, accounting for roughly one-quarter of all manufacturing employees in
the region (Noble and Korsok, 1975: 108).

30 The collaborative nature of the I70-75 Association also provides individual
localities with greater leverage in their relation to the State: "it’s supposed to be
a kind of lobbying effort in the sense that when we go to the State of Ohio and
(continued...)
create a more appropriately scaled ED organization in terms of securing leads and providing locational assistance to prospects. At this point however, the I-70/75 Association is much rather a proto-typical regional organization than an established conduit for industrial and commercial leads.

At the current time there is no single point of entry for prospects into the web of relations between individual members and hence, no systematic means of channelling prospects to appropriate sites. However, the I-70/75 Association does serve as a conduit for a more sporadic referral of leads between member agents. Leads will circulate, but only after an ED agent has exhausted all possible site options within their own locality of interest. At this point a prospect secured by the agent may be referred to other group members:

We’ve had it happen that let’s say (city x) has a prospect, that somehow something has come down the line for them, and this prospect needs rail frontage. And let’s say (city x) doesn’t have any property suitable with rail frontage... naturally they’ll try and get the company to decide they don’t need rail frontage... but if they can’t meet the needs they’ll make an announcement (at the 70-75 meeting), or if they know that (city y) has a site that might fit the bill they may make the introduction... we’ve done the same thing with (city z)... If we can’t get ‘em it’s better to have ‘em in the region because some of our people are gonna wind up working up there. Maybe some of our businesses are gonna wind up as suppliers to that company (City official, September 1992).

Again however, information exchange of this nature is not indicative of the presence of a local ED network. There is no specialization of tasks among I-

30(...continued)
say, 'we need something here’, we can say that 'we represent a population base of 200 000'' (City official, September 1992).
Association members and agents are regularly pitched into competition with one another for particular projects:

Trust me, if I've got a prospect and (city x)'s got a prospect we'll go at 'em. We'll go for the jugular vein, all's fair. But if I can't do anything all of a sudden it changes and we're gonna help 'em (City official, September 1992).  

The I-70/75 Association can be interpreted as a measure of the failure of existing regional ED networks. While not a network in its own right there are tendencies within the I-70/75 Association that illustrate some potential for a more closely integrated set of relations between member agents. At this point therefore, the organization might best be described as a proto-local ED network.

There are two further developments in the Dayton region that provide additional evidence of fragmentation and the weakness of a specifically regional ED network. A second organization with a substantial independent ED responsibility is "The Campaign for Greene County," a non-profit organization established in 1989 and funded by private and local government 'investors'. The organization's activities include: visits to out-of-State parent companies with plants in the County; maintenance of an inventory of vacant sites; and participation in regional trade shows. In this case, however, there is somewhat greater coordination with the activities of the Dayton Development Council. In

31 For a similar case involving efforts on the part of the City of Philadelphia to help locate a Kodak facility in the suburban city of Malvern see Amporano 1987.
1989 for example, a representative of the Campaign participated in a joint prospecting trip to Japan sponsored by the Development Council.

The ED activity undertaken by the Springfield Area Chamber of Commerce is a third indication of substantial fragmentation within the Dayton metropolitan region, although the Springfield Chamber has a considerably longer history of involvement in the ED arena than either the I-70/75 Association or the Campaign for Greene County. The director of the Springfield Development Council, a previously separate arm of the chamber, sat on the Industrial Development Committee of the Ohio Chamber of Commerce as early as 1957 for example. Indeed a 1967 Ohio Economic Development Council membership list includes the Springfield Area Chamber but not the Dayton Development Council. Through this lengthy involvement in ED, the Springfield Chamber has developed a substantial ED program independent of the activities of the Dayton Development Council.

Conditions in this case point to a generalized breakdown in the trust relations between local ED agents and the metropolitan-wide lead organization. Where individual localities may have has considerable difficulty in circumventing the established channels for lead information, they have sought

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32 Fragmentary records of the Industrial Development Committee of the Ohio Chamber of Commerce can be found in the collection of "Koder M Collision Papers" at the Ohio Historical Society, Columbus, Ohio. The 1957 membership list specifically is contained in MSS 597, Box 1 File 6.
collectively to reestablish a viable ED organization at the sub-regional scale.

While not yet a local ED network in the manner described in Chapter 3, the I-70/75 Association has begun to construct the trust relations between agents that are a necessary condition for network formation.

Conclusions to Chapter 4

This Chapter has sought to develop further the concept of a local ED network. It has been argued that there are a number of specific conditions in the case of integrating the division of labor in local ED that encourage the development of networks of trust relations. These networks have a particular spatial-hierarchical form that tends to embed ED agents within a particular local ED network.

Networks help to evade a number of problems endemic to local ED activities but many of these problems remain latent within local ED networks. The reproduction of local ED networks is by no means automatic therefore, and this Chapter has explored a number of practices that are used to try and ensure their successful reproduction. Where parties of agents perceive a failure in the network relations are liable to be undermined. As trust between agents breaks down networks are then liable to fail and this Chapter has examined a specific case of apparent network failure.
CHAPTER V
CONCLUSION

INTRODUCTION

This dissertation has examined the social mediation of capitalist investment in metropolitan areas. A number of different agents are involved in this mediation process and their activities are seen to constitute a particular division of labor in local ED. This division of labor is harnessed to a network form of organization that is sustained through trust relations between ED agents.

The first part of this final Chapter summarizes the dissertation and the principal findings of the research. The second section then examines the implications of these findings for a number of extant literatures. Following this discussion the realist research design of the study is re-examined in light of the material presented in the preceding three Chapters.
SUMMARY OF THE DISSERTATION

The dissertation sought two broad goals. Firstly, to provide an account of the concrete activities and relationships that surround the mediation of capitalist investment in US metropolitan areas. These practices and their organization are neglected in the existing literature. Secondly, the study sought to address three more specific questions: why particular agents are involved in the mediation of investment?; why they play the roles that they do?; and how these different labors are coordinated with one another in the metropolitan context? Answers to these questions enabled the construction of an explanatory account of the social mediation of capitalist investment.

Chapter 2 addressed the first of these three questions; the logic underlying an interest in local ED on the part of agents involved in the mediation of capitalist investment. Drawing on the concept of local dependence, the claim was made that individual agents have a vested interest in a particular locality on the basis of their fixity in space, or immobilization (Cox and Mair, 1988). That is to say, these interests are effectively unable to relocate in the attempt to stave off the threat of place-specific devaluation endemic to capitalist development (Harvey, 1982; Storper and Walker, 1989). These immobilities may be the result of a fixity of owned assets or the non-substitutability of local exchange relations. Whatever the precise form of local dependence, where these immobilized agents share a locality of interest they may collaborate in order to
protect and enhance the flow of revenues through the locality, via the attraction of external capitalist investment.

Chapter 2 also sought to meet the first of those two broad goals of the research having to do with an accounting of the particular roles played by different ED agents in the mediation of investment. This account was largely based on transcripts from interviews with ninety ED agents in four metropolitan areas in Ohio -- Cincinnati, Cleveland, Columbus and Dayton. Despite some duplication of activities, each type of agent specializes in a particular set of activities and this pattern of specialization is common to each of the four metropolitan areas. In short, IOUs are seen to specialize in, and dominate, the supply of lead information concerning industrial prospects. Metropolitan chambers of commerce occupy an important position in the channeling of commercial lead information. A third set of agents involved in the mediation of investment, the ED arms of local governments, are seen to be restricted to the provision of infrastructure, services and incentive packages for particular prospects. This heavily circumscribed role in the mediation of investment in the latter instance is one that runs counter to the image presented in both the academic literature and popular press.

The diverse activities described in Chapter 2 are seen to constitute a particular division of labor in local ED. These discrete labors must be re-integrated in the attempt to attract capital. Chapter 3 borrows from the
industrial organization literature to examine the means through which these different labors are coordinated. Drawing from the work of Granovetter in particular, an argument is made that where markets fail to integrate activities, order may be reestablished through either vertical integration or integration on the basis of networks of trust relations. In the case of local ED the latter is the dominant form. These structures of trust relations are termed local ED networks in this dissertation and prove to be a viable alternative to the vertical integration of discrete activities as a solution to market failure.

While Chapter 3 examined the integration of the division of labor in local ED, Chapter 4 examines the conditions specific to local ED that lead to the formation of networks of trust. Chapter 4 also takes up the issue of the reproduction of local ED networks. In order to facilitate the successful operation of networks certain agents may be sanctioned or excluded from the division of labor. Chapter 4 examines various conditions that tend to lead to the exclusion of particular agents from local ED networks. While the powers of exclusion may be used in a deliberate and systematic fashion, agents may also be inadvertently excluded from the division of labor. Where these agents perceive this to be the case, and have the capacity to establish alternate structures of integration, existing networks are likely to be undermined. An account of recent developments in the Dayton metropolitan region suggests that the rise of proto-local ED networks marks a failure of the extant metropolitan ED network.
IMPLICATIONS OF THE FINDINGS

The findings from this study would seem to have important implications for the current literature on the politics of local ED in US urban areas. Much of this work overlaps with the more general literature on local ED in the US and the implications of this study should also resonate there. The principal implications for the current literature concern the need for a thorough reconceptualization of local government practices and the relation of these practices to private interests. In large part the failing of the current literature stems from a focus on state activities abstracted from the context of their relationship to private interests.

The Politics of Local Economic Development

The literature on the politics of local ED now appears to take entirely for granted the intense politicization of local ED. Major themes in the literature include the mobilization of local government by urban growth coalitions in order to attract in new investment; and subsequent competition between local governments via various incentive packages to further the achievement of that goal. The findings from this study suggest that this is a seriously incomplete picture of how it is that external capitalist investment comes to rest in the jurisdiction of a particular local government.
The assumption in the current literature appears to be one that local
governments, and government officials, play the pivotal role in this competition
for investment, hence the politicist nature of the literature:

(T)he economic development imperative pits communities (and regions)
one against the other and forces local officials into an entrepreneurial,
risk-taking role that contrasts with the more traditional roles of urban
service policymaking and administrative oversight (Sharp, 1990: 19).

Mayors are now entrepreneurs... They have become master orchestrators
of public and private projects. They are no longer just old-style managers
(Walker, quoted in Barnekov et al., 1989: 74)

One might ask why state and local governments have plunged so deeply
into marketing themselves to firms and to subsidizing business
investment... States and municipalities in this one area of public life
[economic development] have become as entrepreneurial as the
entrepreneurs (Levy, 1992: 51).

Even critical commentaries on local ED activities portray local state officials as
key to the process of attracting capital investment:

(I)creasingly in the 1970s, local governments directly assumed the
function of promoting economic development; mayors and city commerce
departments took on roles traditionally played by local businessmen’s
organizations (Barnekov et al., 1989: 74).

During the 1970s economic development agencies and programs
proliferated... Development campaigns became "internecine and
aggressive" as states and municipalities attempted to outbid their
neighbors for economic growth... the promotion of economic development
had become a big business, and states and municipalities had become
development entrepreneurs (Smith et al., 1985: 182-183)

This is an image reinforced by popular media images of the process, particularly
as it pertains to highly publicized site choices, such as those for GM’s Saturn
One of the principal findings of this study is that the central position bestowed upon local governments in the attraction of capital by the existing literature, simply cannot be sustained. In assuming a broader view that encompasses the activities of both state and private ED interests, this study finds that the role of local governments in the mediation of capital investment is one that is largely eclipsed by powerful private agents affiliated with metropolitan chambers of commerce and IOUs.

Indeed, the role of local government is heavily circumscribed by these private ED agents. Transcripts indicate that local government ED agents are incorporated into projects at a relatively late stage and then only to provide infrastructural improvements, municipal services and locational incentives:

Once they (the prospect) have got control or at least have an option on the place, then we’ll get the State, the City and the County to chime in with some benefits -- a tax abatement or whatever it is (Utility official, November 1992).

The critical implication here is that the ED activities of local governments cannot be understood apart from their relation to the activities of private agents. The role of the local state in the mediation of investment is part of a division of labor that encompasses state and private interests, harnessing the respective powers of each. This interaction via the integration of the division of labor involves a much closer and more sustained relationship between private
and state interests than is commonly allowed for in the literature. While private interests may be seen as an external influence upon local government ED activity, rarely is attention paid to the interaction between them in the execution of responsibilities.

The evidence from this study is consistent with claims in the wider literature concerning the rapid growth of a formal ED responsibility on the part of local government (Eisinger, 1988; Levy, 1990). Indeed note was made of these developments in Chapter 2 and it is this expansion of local state capacity that has drawn academic attention. Missing from conventional accounts however, is note of the prior existence of private ED activities. The interest in local ED on the part of local government has in fact preceded been by a range of activities undertaken by private agents with a vested interest in local ED.33 Historically important in this respect are IOUs; metropolitan chambers of commerce; railroads and banks.34

33 Indicative of the seriousness of the problems in the current literature is Haider's claim that private organizations are a recent addition to the ED arena: "The 1980s ushered in a new era in economic development... Economic development is no longer a policy or functional enclave reserved for the national government nor even an activity reserved for the public sector per se" (Haider, 1986: 452).

34 The latter two interests are no longer as central to ED activity in metropolitan areas as they once were. In both the rail and banking industries the centralization of capital through merger activity has reduced the dependence of individual firms on particular metropolitan markets. The banking and rail industries therefore, provide a ready and useful illustration of how changing (continued...)
Indeed the rudiments of the current division of labor were well in place prior to the mass formation of local government ED departments in the nineteen-seventies and eighties. The particular historical evolution of local ED networks would appear to be significant in determining the attenuated role of local governments therefore. Metropolitan chambers of commerce and IOUs had already pieced together inventories of sites and buildings, and established relations with industrial firms, real estate brokers and consultants in providing locational assistance. Once locked into these relationships chambers of commerce and IOUs have been generally reluctant to forfeit these established roles, especially given their view that local governments cannot adequately protect the confidentiality of prospect information.

The structural advantage of private ED agents in concealing prospecting activity helps to ensure that they receive the bulk of leads entering each metropolitan area examined in this study. This command of information concerning prospective business investment is an important source of their social power. That power is used in the short-term to marshall the activities of local, site-specific ED agents in the attempt to facilitate particular investments. Over

\[\text{...continued}\]

spatial structures within capital alter the concrete form of ED coalitions at particular scales. Recall from Chapter 2 that, "within these local business coalitions, changing spatial structures within capital; and thus changing patterns of local dependence, may lead to great historical and geographical variation with respect to the firms and sectors that are most active" (Cox and Mair, 1990: 19).
the longer term, however, persistent asymmetries of this nature are likely to produce a policy and regulatory framework for local ED consistent with a privately-led attempt to attract capital investment on capital’s own terms.

The claim has been made here that the prominent role of local governments and local government officials in the mediation of capitalist investment cannot be sustained. ED projects tend instead to be orchestrated by private ED agents with local state agents incorporated into a project at a relatively late stage. Of interest, therefore, is the question as to quite how the dominant image of the importance of local state agents, and elected officials in particular, in the mediation of investment has gained such general currency, given its flawed character? The answer seems to be relatively straightforward. Private agents would appear to have a far lesser incentive to claim credit for their role in the successful mediation of investment. IOUs have no public constituency to which they must appeal other than their shareholders. Chambers are a little more apt to identify with projects given the voluntary nature of their membership base:

A chamber is a membership organization, it depends on voluntary joining... so the efforts that they make tend to get more visibility. It’s not that we’re not proud of what we do but we don’t have to depend on that... we’re not trying to do that. You will find a lot of the community leaders are fairly aware of it [the utility’s role] but the public at large are not... that’s pretty common whether you’re talking Ohio or any place else (Utility official, February 1993).
Local government officials on the other hand, have considerable interest in their association with successful ED ventures. The awarding of credit to local government officials is likely to go unopposed irrespective of their actual role in a project. Indeed where elected officials are assured that they can capitalize upon successful projects, they are likely to be favorably disposed to any future prospective investments and their state-provided accoutrements:

They do come in towards the tail end when there’s an announcement, there’s always time to give out credit and recognition... they’re gonna get that recognition whether they’re there or not during the initial stages (Utility official, August 1992).

When the times right they will be given the part that’s important to play - - they’ll cut the ribbon -- and we’ll stay in the background knowing that we pulled the whole project together. But it’s not that important that we get the press (Chamber official, July 1992).

Networks and divisions of labor

The critique of the contemporary literature on the politics of local ED presented above is based in large part, on its failure to recognize the complementarities between private and state local ED activities. These activities constitute a particular division of labor in local ED and the possible means of integrating this division of labor were examined in Chapters 3 and 4. The claim was made there that in the case of local ED activities, the division of labor is harnessed to a network form of organization and that this network consists of structures of trust relations.
Networks have gained considerable currency in the recent literature addressing changes in the organization of economic activities within advanced capitalist nations (Lorenz, 1989; Storper, 1992; Storper and Scott, 1989; 1993; Sayer and Walker, 1992; Powell, 1990). Much of this interest originates in the recognition of the limitations of the markets and hierarchies dualism.

Although there are earlier examples, the concept of networks as a means of industrial organization gained prominence with Piore and Sabel's *The Second Industrial Divide* (1984). Subsequently, networks of firms have been seen to characterize a range of industries and industrial districts. In the greater use of the concept there is a danger perhaps, that the network form of organization loses its original analytical purchase. Networks as presented in this dissertation are based upon a division of labor, that is a set of substantial connections between different agents. The role of individual agents within that division of labor cannot be properly understood therefore, in abstraction from the role of other agents. They are internally related in realist parlance (Sayer, 1984: 82). In essence this is simply a reassertion of the grounds of the critique of the politics of local economic development literature. It is not that state activity is simply influenced by private agents but rather that the practices that span the public-private divide are in fact indivisible.

It is important to restate that local ED networks are structures of social relations. It is the nature of these relations, i.e. the fact that they are relations of
trust, that is important in analyzing the coordination of the division of labor. The tendency in much of the existing literature on integration has been to focus on the outward manifestation of organizational forms. Markets and vertical disintegration are assumed to be marked by free exchange relationships between anonymous transactors, while vertically integrated firms are seen to be characterized by the rule of administrative fiat. The conflation of organizational form with the nature of relations between agents is problematic however. The critical aspect to integrating divisions of labor is not whether or not the activities take place within the formal boundaries of a firm or across a market interface. More critical is the nature of the relations through which activities are coordinated:

What seems more important are actual modes of organization, whether between or within firms. A firm which looks vertically integrated in terms of its range of divisions may actually be very weakly organized... Similarly, formally vertically disintegrated systems may have either weak or strong interfirm organization. What matters is how the market is used, how far prices are allowed to govern relationships, how far market relations are embedded in nonmarket organizational relations, and what form the latter will take, whether within or between firms (Sayer, 1989: 678).

The evidence presented in this study suggests that networks of trust relations may be just as capable as vertical integration in dealing with the failure of market coordination. While the network concept has become increasingly popular in the industrial organization literature, only recently has serious attention been paid to the spatial constitution of industrial networks.
The work of Storper and Scott is worth considering in this regard (Storper, 1992; Scott and Storper, 1989; 1993). Storper (1992) argues that in dynamically innovative industries firms tend to be linked together through flexible production networks that enable continuous product innovation. These networks are based on "elaborate shifting divisions of labor" (Storper, 1992: 62). Furthermore, Storper argues that these networks tend to a particular geographic form:

The existence of networks and the geographical agglomeration of important parts of the production system are positively related in technologically dynamic industries... Key parts of today's global economy may thus be thought of as a mosaic of these dynamic regions (Storper, 1992: 62).

The theme of the spatiality of networks is picked up again in Scott and Storper (1993). Here the claim for networks and regions is a somewhat bolder one:

Regional industrial agglomerations are constituted out of a congeries (sic) of producers locked together in various ways in dense transactional networks (Storper and Scott, 1993: 5).

While Storper and Scott are careful to point out the presence of other scales and of economic transactions there is an implicit danger here of conflating networks and regions. There is no necessary reason as to why networks develop at the regional as opposed to more local or more global scales.

Indeed perhaps what is needed, is recognition of the fact of a scale division of labor in addition to the more familiar concept of a spatial division of labor (Massey, 1984). A scale division of labor is evident in the structure of
local ED networks for example. The role of securing and providing leads is lodged at the regional scale, based on a rough correspondence between the territorial scope of the capacities of IOUs and metropolitan chambers and the geographic scope of the site selection process. It is within this regional context that local agents submit particular sites for further consideration. Local site-specific interests are simply of insufficient territorial scope to be able to establish direct contact with the broader structure of leads. In this particular case therefore, agglomeration on the basis of the division of labor in local ED does not necessarily entail congruence in the localities of interest of cooperating agents.

**Realist Research**

It was noted in Chapter 1 that realism has gained significant currency in geography in the past decade (Pratt, 1991). Yet it must be said that realism has had somewhat more success in providing critical leverage on existing concepts and methods, than in encouraging primary realist research. This study may be of interest therefore, as an exemplar of realist research. In this regard it is worth exploring further a number of the realist aspects to this work. Four themes are considered: the contrast between realist and orthodox approaches to the subject matter; the relationship between abstract structures and the concrete; the
identification of causal properties of ED agents; and the role of contingencies in producing variation across the four metropolitan areas.

Orthodox and realist method

It may be useful to set the realist design of this study against possible orthodox approaches to the same subject matter. Orthodox approaches would likely seek to quantify the 'strength' of relations between different ED agents in some fashion. Social network analysis for example, might prove useful in this respect (Valentine, 1993; Boissevain and Mitchell, 1973; Willmott, 1987). On the basis of a standard set of questions ED agents might be asked to rank the importance of their links to other agents in the process of mediating investment. The extensive study of industrial development organizations undertaken by Humphrey and colleagues, is essentially of this nature and provides a useful contrast in the study of organizing for local ED. Humphrey et al.'s research involves the collection of standardized information from 419 industrial development organizations throughout the US. In Humphrey et al. (1989) the external connections of these groups to various organizations, including the State Chamber of Commerce and the region's Public Utilities, are correlated with performance in estimated job creation. Relations between organizations are

Humphrey et al.'s primary concern is not the study of the mediation of capitalist investment. Their goal instead is to examine a range of activities designed to promote local employment growth.
measured on the basis of whether or not information and resources are exchanged. There is nothing in this analysis however, that indicates the precise nature of the information and resources exchanged. In short, there is no distinction between the receipt of prospect information and, say, the receipt of an organization's monthly newsletter; both count as evidence of a formal link between organizations. Humphrey et al., conclude with a:

statistically significant positive correlations between each measure of external connections and the number of manufacturing jobs created between 1980 and 1984. While external connections are positively associated with nonmanufacturing jobs created, only local and regional connections have statistically significant coefficients (Humphrey et al., 1989: 32-45)

Given that there is no means of determining the precise, qualitatively-varying nature of the information and resource flows between organizations the findings are limited at best, in the light of this study. Although useful in providing descriptive information about ED organizations, there is no explanatory aspect to this particular study. Furthermore, there is nothing in Humphrey et al.'s study that indicates why organizations should need to make 'external connections' in the first place.

There would seem therefore, to be various aspects of the relationships between ED agents that cannot be uncovered through extensive research techniques of this nature. Through the intensive interviews used in this study on the other hand, agents were asked to specify the nature of their links to other agents and the various conditions under which these relations were either
facilitated or inhibited. The conditions significant to the exchange of information for example, were found to vary along a number of different dimensions including the extent to which an agent could be trusted with valuable prospect information. While the extent of trust relations is a critical factor in explaining the flow of information between agents there are other contextual conditions, such as the demands of the prospect, the nature of the investment, the source of the lead, the scope of the location search and the reasons for expansion/relocation, that can enter into the determination of information exchange. The difficulty therefore, is that many aspects to the mediation of investment cannot be adequately de-contextualized in a manner consistent with the demands by orthodox research.

A second problem with extensive research techniques is their difficulty in dealing with the fact that terms or questions may be interpreted according to different criteria. This is a partial reflection of the view that observation is largely unproblematic. However, differences in interpretation may critically undermine the utility of a date set collected as answers to standardized questions. The definition of what constitutes a 'lead' or a 'prospect' for example, varies substantially from agent to agent. In a number of cases agents counted any type of request for information as a 'prospect'. In the case of the IOUs and metropolitan chambers however, routine inquiries are generally only classified as prospects once the ED agent has had some substantial interaction with the
interested party. Furthermore, the nature of the leads that flow to particular agents vary in terms of their composition and their 'attractiveness'. Recall from Chapter 2, that leads received by local governments tend to be of a less appealing character than those received by the IOUs and metropolitan chambers. Again the detail of information is critical in establishing the nature of the relations between agents and the hierarchical aspects to the flow of lead information. Only on the basis of these detailed accounts provided in interview can some semblance of order be seen in the arrangement of local ED networks.

The abstract and the concrete

In this research certain causal structures of relations were found in each of the four metropolitan areas. These structures are of a concrete nature, that is the result of the combination of a number of different abstract structures. One such structure is the division of labor. It is this structure that produces the systemic pressure for cooperation between ED agents. Each needs the others in order to produce results. Furthermore, the structure is a specifically capitalist division of labor. That is, agents must strive for a return on their investments in order to stave off the liability of bankruptcy. Agents are therefore, pressured to work in an efficient and effective manner in the attempt to successfully mediate capitalist investment. In this particular case the capitalist division of labor is specific to the process of mediating capitalist investment. On this basis the
specialization of tasks takes a particular form of discrete labors. Should these labors be performed in an unsatisfactory fashion the structure is no longer capable of effectively mediating investments. The combination of abstract structures produces a capitalist division of labor in local ED, or more specifically in the mediation of investment. The structure is made more concrete by the fact of geographically specificity. There are a number of aspects specific to the US context that give this particular division of labor its precise concrete form. The private and regional nature of the utilities, anti-trust laws prohibiting the vertical integration of activities and the fiscal dependence of local governments on locally generated revenues each affect the division of labor's particular concrete form. The concrete structure also varies between the four metropolitan areas on the basis of a number of locality-specific structures. These are examined at the end of this section.

The causal properties and liabilities of ED agents

The study has sought to identify a causal structure pertaining to the mediation of capitalist investment, although that structure varies in its precise concrete form. This structure is one of a network of social relations of trust that integrate and sustain a division of labor between ED agents. These structures are termed local ED networks in this dissertation and they serve to define the causal properties and liabilities of different agents. Consider the position of the IOUs
for example, in terms of the causal structure of relations. Within the structure in which they are embedded are sets of local agents that lack the power or capacity to directly secure industrial leads. The IOUs capitalize upon this opportunity to supply leads by virtue of their superior powers in handling lead information. The powers of the local, site-specific agents rest in their turn, upon their ability to provide cooperative support in exchange for prospect information.

One of the liabilities associated with the structure of relations is the subjection to sanctions employed to punish malfeasant behavior. The violation of a generalized norm of conduct for example, triggers the liability of exclusion from the local ED network. This exclusion involves far more than moral sanctioning. Should exclusion persist an ED agent is likely to be seriously handicapped in the attempt to attract capital. The material flow of resources into the locality in the form of investment may dwindle and the ED agent may well incur the additional liability of unemployment as a result.\(^{36}\) Note that these causal powers and liabilities are necessarily entailed by the structure of relations that underlies the division of labor in local ED.

Realist analysis of the kind presented in this dissertation yields considerable explanatory purchase on the practices and events surrounding the

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\(^{36}\) Recall the comments of one respondent from Chapter 4: "If somebody violates that [confidentiality], then they'll get a reputation for it and nobody will do business with them and eventually they'll just wither and die right on the vine" (City official, July 1992).
mediation of capitalist investment. The structure underlying the mediation of investment is a causal structure in realist terms or a set of internally related objects or practices (Sayer, 1984: 84). Within this structure there are particular positions associated with certain roles, whether it be to supply lead information or to mediate between prospects and local, site-specific agents. Whether, and/or precisely how, the powers and liabilities associated with these roles are exercised/suffered is a contingent matter however. Metropolitan chambers, by virtue of their position in the structure of relations, have the power to supply leads to local ED agents. Whether they do so or not is a contingent matter. In the Dayton case, explored in Chapter 4, local agents made the claim that the Dayton Development Council failed to exercise its powers in the supply of lead information:

I can't rely on them [the Dayton Development Council]. If I did nothing would happen. That's my feeling... they get the leads (but) I don't know what they do with them (Chamber official, August 1992).

The role of contingencies

The concrete form of local ED networks varies between the four metropolitan areas, although the causal aspects of the structure are common to all four. Variation tends to occur as a result of different contingent conditions. The precise nature of the relationship between the ED arms of the IOU(s) and the metropolitan chamber for example, is partially determined by the degree of territorial correspondence between them. In the Cincinnati case, service
territories are almost exactly congruent and this condition, albeit a contingent one, serves to facilitate the relationship between the two organizations.

Many other contingent conditions have influence upon the concrete form of local ED networks. The structure of metropolitan fragmentation for example, would appear to have a bearing on the extent to which different ED agents assume positions within the division of labor. In the Columbus metropolitan region the central city dominates the metropolitan area to a far greater degree than in the other three cases, as indicated in Table 4. Accordingly, the central urban County has never developed a formal ED responsibility of its own in the fashion of the other three central urban counties. The activities of the central city’s ED department and financial contributions to the Columbus Chamber of Commerce and to a private consultant for the marketing of a large single industrial site, are seen as sufficient to effectively execute the County’s ED duties.

TABLE 4: City and Metropolitan Populations 1990

<table>
<thead>
<tr>
<th>City</th>
<th>Metropolitan</th>
<th>City/Metro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland</td>
<td>505 616</td>
<td>1 831 122</td>
</tr>
<tr>
<td>Cincinnati</td>
<td>364 040</td>
<td>1 452 645</td>
</tr>
<tr>
<td>Columbus</td>
<td>632 910</td>
<td>1 377 419</td>
</tr>
<tr>
<td>Dayton</td>
<td>182 044</td>
<td>951 270</td>
</tr>
</tbody>
</table>
The figures in Table 4 also suggest that in the Dayton case discussed in Chapter 4 the lesser significance of the central city to the metropolitan region may be a contributing factor to the difficulties in reproducing a strong metropolitan-wide ED network. Note however, that the failure centers on the perceived inability of the metropolitan-wide chamber to effectively discharge its powers in the channeling of leads into suburban and peripheral localities, and the chamber claims metropolitan scope. Contingent conditions therefore, add to the complexity of local ED networks and variation between them in each of the four metropolitan areas.

Rather than dwell on these variations this dissertation has sought instead, to focus attention on the causal structure of social relations that underlies the social mediation of capitalist investment. To this end the study is perhaps as much an illustration of the possibility of doing primary realist research as it is a study of local economic development networks and capitalist development in metropolitan areas of the US.
Appendix A

INTERVIEWS

The interviews conducted as part of this study were semi-structured and open-ended. Interviews of this nature are an example of intensive research methods and are different from the standard extensive methods of research interviews. The larger question of intensive and extensive research methodologies is examined in Chapter 1.

Each of the ninety interviews was conducted in a face-to-face manner and in five cases interviews involved more than one respondent. Each interview was structured around a common set of questions that addressed: staffing levels; organizational histories; funding sources and expenditures; links to other ED organizations; sources of leads; roles in the evolution of particular projects; and perceived obstacles to organizing for local ED. The open-ended nature of the interviews allowed respondents to talk at length about particular practices and relationships and to provide concrete illustrations of their responses. The interactive and semi-structured nature of the interviews allows for follow-up
questions designed to clarify or further explore particular responses. The interviews sought coherent accounts of various practices and relationships therefore, in order to generate coherent explanations for the practices under study and the relationships between different ED agents.

In many cases respondents provided published materials to further illustrate particular ED activities. This published information proved to be a valuable secondary source of information. The answers of respondents, particularly with respect to inter-agency relationships, were cross-checked in order to corroborate responses.

An example of the standard questionnaire used in interview is presented in Appendix B. Modifications were made so that the questions were tailored to fit each particular ED agent.

The following organizations participated in this study. The individuals listed gave very generously of their time:

**Cincinnati metropolitan area**

**Chambers of commerce and business organizations**

Clermont Chamber of Commerce, Edward Parish (President)
Greater Cincinnati Chamber of Commerce, Jim Wuenker (Senior Vice President)
Middletown Area Chamber of Commerce, Bryan Derreberry (President)
City and County ED departments

City of Cincinnati, Department of Economic Development, Stuart Brown (Development Officer)
City of Covington, Economic Development Department, Kevin Donovan (Development Officer)
City of Hamilton, Department of Community Development and Planning, Pat Landi (Director) and Gregg Gillman (Development Administrator)
City of Newport, Economic Development Division, Laura Lang (Director)
City of Norwood, Community Development Office, Richard Dettmer (Director)
Butler County, Economic Development Department, Dan Evers (ED Administrator)
Hamilton County Development Company, David Main (President)
Tri-County Economic Development Corporation, Jim West (Executive Director)
Warren County, Office of Economic Development, Karen Garrett (Deputy Director)

Realtors/Developers

Miller Valentine, Dick Huddlestone (Partner and Vice President of Sales)
Tipton Associates, Dave Tipton (Partner and Founder)

Utilities

The Cincinnati Gas and Electric Company, Jerry Keller (Director Regional Development)
The Union, Light, Heat and Power Company, Joe Goins (Director Regional Development)

State of Ohio

Ohio Department of Development ED Division, Jean Carter Ryan (Sr. Development Specialist)

Cleveland metropolitan area

Chambers of commerce and business organizations

Cleveland Tomorrow, Richard Shatten (Executive Director)
Greater Cleveland Growth Association, Jim Kroeger (Director Business Development)
Euclid Area Chamber of Commerce, Nancy Foreman (Executive Manager)  
Lorain County Chamber of Commerce, Frank DeTillio (President)  
Strongsville Economic Development Association, Tom Burichin (Committee Member)  

City and County ED departments  

City of Brunswick Economic Development Division, Tom Arnold (Economic Development Coordinator)  
City of Cleveland, Economic Development Department, Paul Krutko (Assistant Director)  
City of Euclid, Department of Community Service & Economic Development, Kory Koran (Director)  
City of Lorain, Department of Community Development, Chuck Undrisky (Chief Planner)  
City of Mentor, Economic Development Division, Elaine Lane (Economic Development Coordinator)  
City of Painesville, Development Department, Rita McMahon (Director)  
City of Solon, Department of Planning & Development, Don Lannoch (Director)  
Cuyahoga County, Department of Development, Nancy Cronin (Director)  
Medina County Economic Development Corporation, Fred Huff (Executive Vice President)  

Realtors/Developers  

Grubb and Ellis Real Estate Services, Ken Fleming (Vice President)  

Utilities  

Cleveland Electric Illuminating Company, George Vosmik (Manager Development Section)  
East Ohio Gas Company, Art Davis (Manager Economic Development Department)  

State of Ohio  

Ohio Department of Development, Claire Rosacco (Governor's Economic Development Representative)  
Ohio Department of Development Economic Development Division, Sharon Smith (Senior Development Specialist)
Miscellaneous

Cleveland Neighborhood Development Corporation, Cyrus Fields (Executive Director)
Lorain Port Authority, Richard Novak (Executive Director)

Columbus metropolitan area

Chambers of commerce and business organizations

Circleville-Pickaway Chamber of Commerce, Jean Ankrom (Executive Director)
Columbus Area Chamber of Commerce, Dan Kaszynski (Assistant VP for ED) and Mark Smollea (Development Specialist)
Delaware Area Chamber of Commerce, Ed Clark (Executive Director)
Dublin Chamber of Commerce, Marjery Amorose (Executive Director)
London Area Chamber of Commerce, Nancy Morcher (Executive Director)
Newark Area Chamber of Commerce, Elizabeth Welsh (President)
Westerville Area Chamber of Commerce, Tom Bell (ED Committee member)

City and County ED departments

City of Columbus, Development Department, Gary Guglielmi (Supervisor Economic Development Division)
City of Delaware, Frank Ciarochi (City Manager)
City of Dublin, Department of Development, Terry Foegler (Director)
City of Gahanna, Development Division, Debra Walton (Director)
City of Groveport, Phil Honsey (Village Administrator)
City of Newark, Department of Community and Economic Development, Debra Tagemeyer (Economic Development Coordinator)
City of Westerville, Dave Lindimore (City Manager)
Delaware County, Bryan Stanfil (County Administrator)
Franklin County, Jeff Cabot (County Administrator)
Licking County Planning Commission, Jerry Brems (Director) and James Harris (Finance and Development Specialist)

Realtors/Developers

National Realty Services Corporation, Ron Huff (President)
NT Mears Realty Services, Pat Mears (President)
Ohio Industrial Realty Corporation, John Meyers (President)
Southgate Corporation, Robert O’Neill (Marketing Representative)
Financing Agencies

Columbus Countywide Development Corporation, Mark Barbash (Executive Director)

Utilities

Columbia Gas, Paul Clapsaddle (Assistant Director Economic Development)
Columbus Southern Power, Bill Snyder (Manager Economic Development Division)

State of Ohio

Ohio Department of Development Economic Development Division, Tracy Allen (Senior Development Specialist)

Miscellaneous

Miller General Services (Rickenbacker), Bruce Miller (President)

Dayton metropolitan area

Chambers of commerce and business organizations

Beavercreek Chamber of Commerce, Leonard Holihan (Executive Director)
Dayton Development Council, Bill Odorizzi (Vice President) and Verity Snyder (Manager Business Development)
Fairborn Chamber of Commerce, John Dalton (Executive Director)
Huber Heights Chamber of Commerce, Joan Ditonto (Executive Director)
Kettering-Moraine-Oakwood Chamber of Commerce, Maureen Patterson (Executive Director)
South Metro Dayton Area Chamber of Commerce, Stanley Morrow (Executive Director) and Dan Woodring (Chair ED Committee)
Springfield Area Chamber of Commerce, Larry Krukewitt (President)

City and County ED departments

City of Dayton, Economic Development Division, Joe Tuss (Director)
City of Englewood, Community Development Department, Jeff Bothwell (Director)
City of Fairborn, Economic Development Division, Hal Hunter (Director)
City of Huber Heights, Economic Development Division, Scott Shrader (Director)
City of Kettering, Dee Shoemaker (Economic Development Coordinator)
City of Miamisburg, Development Division, Ron Parker (Director)
Piqua Improvement Corporation, Larry Baker (Executive Director)
City of Troy, Community Development Department, Steve Erickson (Director)
City of Vandalia, Gary Cline (Assistant City Manager)
City of West Carrollton Planning and ED Department, David Humphreys (Director)
Xenia Economic Growth Corporation, Dale Grimes (Director)
Greene County, Development Department, Phillip Houston (Director)
Montgomery County Dept. of Economic & Community Development, Kevin Carver (Director)

Realtors/Developers

The Beerman Realty Company, Tim Logan (Executive Vice President)

Financing Agencies

City Corp, Jeff Klank (Finance Specialist)
County Corp, Brian Hammond (Vice President Economic Development)

Utilities

The Dayton Power and Light Company, Steve Lake (Business Development Specialist)

State-wide

Utilities

American Municipal Power - Ohio Inc., Carol Holley, (Director of Economic Development)
Norfolk Southern Corporation, Jerry Leimbach (Manager Industrial Development)
Ohio Bell, Mike Kehoe (Director Public Affairs)
Appendix B

SAMPLE QUESTIONNAIRE FOR ECONOMIC DEVELOPMENT ORGANIZATIONS (EDO)s

A. General Information
   1. Describe the general activities of this EDO (retention, attraction, marketing and lobbying)
   2. Provide a brief history of this EDO (date formed and precedent organizations)
   3. Staff - number employed and in what roles?
   4. Budget - annual figure and rough breakdown?
   5. Funding - sources and proportions?

B. Links to other ED organizations
   1. What are the other EDOs that you are aware of in this area?
   2. Do you have links to these other EDOs?
      - What kind of links and how frequently?
      - What is/are the most important EDOs in this area?
   3. Who plays what role in ED and why?
   4. How has any division of labor developed and why?

C. Exploring the local ED 'Network'
   1. What kind of resources are shared by this network of EDOs?
   2. What kind of information is shared by this network of EDOs?
   3. Are there other activities shared by this network not covered by the above?

D. Prospecting Activities
   1. Does this ED Network attempt to attract in investment and/or employment?
      - How and why?
   2. What types of activity are targeted and why?
E. Leads

1. Where do leads obtained by this EDO come from?
   What are the origins of these leads to your knowledge?
2. Do different sources provide different kinds of leads? In what way?
   Proportions by category and source?
3. How do these leads reach this EDO?
4. Does this EDO generate its own leads? How and why or why not?
5. Does this EDO share leads with other EDOs?
   With whom, under what circumstances, and why?
6. What other EDOs are privy to these leads, as far as you know? Which groups are excluded from this information exchange? Why are certain EDOs included/excluded?
7. Does this EDO receive particular types of leads that others might not? Why?
8. What are the advantages/disadvantages to this sharing of information?

F. The Geography of Local ED Networks

1. Does this EDO or find itself in competition with other EDOs within the local ED Network?
   What EDOs?
2. Is this competition problematic?
   How are these problems manifested?
3. Are such tensions between different EDOs or sub-networks resolved or mediated in any fashion? How, and by whom?

Competition between local ED Networks
4. Does the local ED Network find itself in competition with networks elsewhere? What places?
5. Is this competition problematic?
6. How are these problems manifested and how are they resolved?

G. Specific Cases
Using specific recent examples drawn from the local business media ask the following:
1. How did this particular prospect come to your attention?
2. Who was involved in this particular project?
3. What role(s) did each EDO play and why?
4. Who were the other EDOs/areas competing for this prospect, to your knowledge?
5. Was this competition problematic for the local ED Network and how was it mediated?
H. Prescriptions for the Effectiveness of LED Networks

1. Do you think the EDO network in this city/region is effective?
   Why or why not?

2. How does it compare to other cities/regions?

3. How might arrangements be changed to formulate a more effective city/regional ED effort?
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