

TH3.00.07 Financing Development: Practice and Theory

Opening the Black Box: Economic Development in Suburbia

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Policy making in suburban governments has not been as robustly studied as that of larger cities. Explanations tend to rely on market and economic explanations, portraying suburban governments as pawns or even prisoners of the larger metropolitan economy. Sometimes suburbia is even described as a battleground for jobs, resources and residents. This leaves little to no room for politics in suburban governance; instead it is an all out quest for the maximization of tax revenues. Using Savitch and Kantor's concept of driving and steering variables, I propose that suburban governments can and do have agency in the decisions they make. Suburbs create a vision of what they want for their community, and enact policy to realize that vision to the extent that they have the necessary resources to achieve it. To test these variables Savitch and Kantor's driving variables of market conditions are changed to property values and retail sales; intergovernmental support changed to state and federal grants and home rule status. The steering variables of institutional resources are changed to infrastructure and internal cohesion; local culture changed to orientation toward development and level of participation. The first hypothesis is that when confronted with policy options that they have control over, they consider their vision. The second hypothesis is that the extent to which they will be able to enact this vision will depend on how strong their driving and steering variables are. Three Chicago suburbs are studied in depth: Sauk Village, Northlake and Des Plaines. Interviews along with secondary document examination is conducted. Sufficient evidence exists to conclude that suburbs do consider their visions, and the higher the presence of each variable, the more they are able to let vision guide them. However not all variables are equal, and a surprising finding is that suburbs have different types of visions.

A Blessing in Disguise: The Effects of Tax Increment Financing on Overlapping Jurisdictions

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Tax increment financing has been widely in the United States. However, it has met with strong opposition from overlapping taxing jurisdictions. The argument against TIF is that TIF districts take away taxable values that would otherwise have been available for these other overlapping taxing authorities. Unlike in many other states, TIF districts in Iowa may claim only a portion of the incremental value that meets their annual budget need, and therefore revert the rest of the incremental value back to overlapping taxing entities. This is the first study to examine whether overlapping jurisdictions gain or lose from TIF using TIF district-level data in Iowa between 1998 and 2015. Contrary to conventional belief in the harmful effect of TIF on overlapping taxing authorities, I find that the gains from unused increments are greater than the losses from the claimed incremental value that would otherwise have been accessible to overlapping taxing authorities.

People vs Place: Entrepreneurship for Neighborhood Revitalization or Job Creation

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Spurring entrepreneurship and small business development as a public policy gained traction over the last twenty years when it was determined that small businesses were the engine of growth in the United States. Since then, entrepreneurship has shown to spur job creation, create wealth, and revitalize regions. As more practitioners see the value in fostering entrepreneurship two modes of interventions have emerged, entrepreneurship to foster job creation and entrepreneurship to spur neighborhood revitalization. Much of what we know in the literature on entrepreneurship can be categorized as economic development entrepreneurship. This is the traditional understanding of entrepreneurship as a job generator and engine of wealth and prosperity. This is intrinsically different to community development entrepreneurship which focuses on the revitalizing neighborhoods, blight removal, and community building. Much of the current literature in the community entrepreneurship sphere solely focuses on the change that can be leveraged through social entrepreneurship. However, there is a vast amount of entrepreneurship that engages, supports, and revitalizes neighborhoods.

This paper aims to delineate the difference between these two emerging concepts of entrepreneurship, and provide a framework for understanding them. This paper will ground its theoretical examination in the literature of place-based economic development theory and people-based economic development theory. Through this lens, we will be able to examine domain's actors, desired and expected outcomes, and strategies. The goal of this paper is to provide insights for academics and practitioners operating in fields of entrepreneurship, economic development, and community development as to the important considerations with examining these concepts.

Revisiting Municipal Fiscal Sustainability: A Comparative Study of Detroit vs. New York City

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Debt policy is commonly viewed as sustainable if it is consistent with the inter-temporal budget constraint (IBC). However, scholars have failed to agree upon the sufficient condition that satisfies the IBC. This controversy is fueled by the inconsistent results produced by the commonly-employed unit root based test on federal debt/deficit measure. The existing empirical papers on the U.S sub-national fiscal sustainability applying the same methodology on panel data have produced consistent results, indicating that both total revenue and total expenditure exhibit strong sustainability. In this paper, an alternative modeling perspective is applied, the probabilistic reduction (PR) approach, to model the fiscal sustainability of NYC and Detroit. The test results include a comparison between the municipal governments alone, and the fiscal standardized cities (FiSCs). I conclude that 1) NYC's adjusted deficit only satisfies the "weak" sustainability condition, yet Detroit's deficit is unsustainable, featuring increasing volatility since the mid 1990s; 2) omitted variable bias exists in all four models, and; 3) it is still unclear whether GDP growth is the correct omitted variable that can truly capture the increasing volatility of deficit on the local level. While economists have been debating over the impact of GDP on the U.S. public deficit, other cyclical and social-economic indicators, including fluctuations in the stock and housing market, personal income and unemployment rate should also be considered and tested.