Privatization, Business Attraction, and Social Services across the United States: Local Governments' Use of Market-Oriented, Neoliberal Policies in the Post-2000 Period

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Privatization, business attraction incentives, and limited social service provision are market-oriented policies that broadly concern social scientists. These policies are conventionally assumed to be widely implemented across the United States, a world model of neoliberal development. This study takes a new look at these policies, providing a first view of how they unfold across the nation at a geographic scale that drills down to the local state. We document the extent to which localities privatized their public services, used business attraction, and limited social service delivery in the last decade. Extending national-level theories of the welfare state, we focus on two sets of factors to explain where these policies are most likely to be utilized. The first, derived from the class-politics approach, emphasizes class interests such as business and unions and political-ideological context, and anticipates that these policies are utilized most in Republican leaning, pro-business, and distressed contexts. The second, derived from the political-institutional approach, emphasizes state capacity and path dependency as determinants. The analyses are based on over 1,700 localities, the majority of county governments, using unique policy data. Class-politics variables have modest relationship to neoliberal policies and show that business sector influence and public sector unions matter. The findings strongly support the importance of state capacity and path dependency. Overall our study challenges assumptions that acquiescence to neoliberal policies is widespread. Rather, we find evidence of resilience to these policies among communities across the United States. *Keywords: neoliberalism; local state; social policy; economic development policy; welfare state theory.*

Since the late the twentieth century, social scientists have been concerned with the ascendance of free market-oriented, "neoliberal" governance.[1] There is a widespread assumption that policies prioritizing business interests over public well-being are being put in place across nation-states and at all levels of government (Harvey 2005; Jessop 2002; Tornquist 1999). Our contribution is to assess the degree to which localities across the United States have been subject

1. By neoliberal governance, we refer to market-oriented government that elevates private interests over collective public interests. Neoliberal policies gained favor as the Chicago School of Economics and right-wing think tanks became influential from the 1980s onward (Harvey 2005). Various strains of neoliberalism exist but all are grounded in the free-market model as opposed to Keynesianism (Prasad 2006).

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to this assault. We take a new look at free-market policies by drilling down to local governments and addressing unexplored questions about these policies across the nation.

In the United States, subnational governments such as counties, cities, and states play key roles in ensuring public well-being. Despite this decentralized system of governance, most sociological research centers on federal policies, leaving a blind spot toward the local policies and programs affecting Americans' everyday lives (Gotham 2008; Jenkins, Leicht, and Wendt 2006). Scholars often speculate that localities increasingly follow policy paths involving privatization, business-friendly development, and service cuts that abdicate responsibilities to the workforce and poor (Hackworth 2007; Harvey 2005). The political right has long advocated a more decentralized system, assuming that local governments intrinsically support business and restrict the social safety net, a view shared by today's Tea Party (Stern 2011).

Few if any studies have examined whether localities across the nation embrace free-market policies. Although local business policies are long scrutinized (Logan and Molotch 1987), little is known about whether localities follow broader policy paths of privatization and limited social service provision along with business-friendly development. This set of policies merits investigation from a social problems lens. The three policies are defining elements of the neoliberal policy package for both nation-states (Harvey 2005; Prasad 2006) and communities (Gotham 2008; Schram 2006).[2] At the community level, these policies are implicated in workforce insecurities and harm to low-income residents (Peck 2001). Researchers characterize the use of business incentives and limitations to public service as a low-road policy package that jeopardizes citizens' well-being while catering to employers (Kantor 1995). Even as their contribution to inequality is recognized, business incentives, service retrenchment, and privatization have become framed as the only solutions for communities to survive in a global economy (Lord and Price 1992; Schram 2006). As Margaret Thatcher famously declared, there is "no alternative" (Harvey 2005:40). Yet is there? Does acquiescence or resilience prevail—and in turn, where and why across the nation?

Our research interrogates the conventional view that local governments have embraced market-oriented policies. We employ unique data that provide unprecedented detail about a majority of local (county) governments across the nation. This study is made possible by an original primary data collection effort that gathered policy and institutional information on more than 1,700 local governments nationwide. With a focus on the last decade, we assess the degree to which county governments increased the use of business incentives, privatized (outsourced) general public services, and limited the scope of social service delivery. Our central analytical question is to determine *where* market-oriented policies are most frequently used, and conversely, why localities may resist them. In assuming these policies are widespread, scholars have given little attention to theorizing variations geographically across U.S. localities.

Theoretically, we draw on and contribute to debates over the welfare state in the context of neoliberal ascendancy, a literature focused largely on national-level politics and cross-national comparisons. This literature calls attention to both class politics and political institutional factors in its approaches to explaining policy choices. The class-politics approach emphasizes class-related determinants of policy choices, including policy variation in the resiliency of welfare states (Hicks 1999; Huber and Stephens 2005). For our study, this approach leads us to anticipate that market-oriented policies will be most widely adopted in pro-business, Republican-leaning, and economically distressed contexts. In calling attention to the state, the political institutional approach further informs our study: it emphasizes state capacity and path dependency as determinants of welfare states' policies (Hacker 2005; Pierson 1994).

Theoretical approaches acknowledging the importance of both class politics on the one hand and state capacity and related institutional processes on the other are prominent in cross-national literature on the welfare state under neoliberal ascendency, as others have noted (Chorev 2010; Prasad 2006; Starke 2006). In like fashion, those concerned with U.S. policy, including those

2. To define this set of policies, social scientists use "neoliberal policy" interchangeably with "market-oriented" (Henisz, Zelner, and Guillén 2005) and "free-market" policy (Prasad 2006). We adopt these terminological conventions.

examining state and regional variation, have drawn from both class-centered and political institutional explanations (Amenta and Halfmann 2000; Dixon 2010; Jenkins et al. 2006). While extant studies provide a useful start, Monica Prasad (2006) notes they have limitations for theorizing present neoliberal policy paths. Research centers on either business or social welfare, but market-oriented shifts may be uneven by policy type. Insofar as theoretical explanations about the range of neoliberal policies implemented across local or even other governments are not well developed, our study provides a new contribution by assessing the degree to which class and state institutional bases matter.

This study contributes to a richer understanding of social problems. We examine public policies designed to assist low-income people and promote community well-being, while simultaneously considering policies aimed at business development and economic growth. The tendency to examine social policy and economic development policy separately has resulted in a diminished understanding of both policy streams. For example, from the welfare-states tradition, researchers argue for need to move beyond social policies to study business-sector policies and assess whether similar determining factors exist (Jenkins et al. 2006, Prasad 2006). In pointed fashion, Jacob Hacker (2005) notes that social policies studied in isolation may tell only half the story regarding the state's protection of citizens' quality of life. Community researchers have long been concerned about relationship between social policy and economic development policy, questioning whether localities more engaged in business promotion provide fewer social and general public services (Kantor 1995; Peterson 1981).

More broadly, owing to sociology's tendency to focus on national-level policies (Howard 1999) and in turn, social or economic policy in isolation (Prasad 2006), we know little about the diversity of policies existing in our own-backyard—across the urban and rural communities that matter directly to the U.S. public. The importance of drilling down to this level is underscored by research stressing a purple America with marked partisan variation within red-blue states (McVeigh and Sobolewski 2007). Our study begins to fill a broader sociological gap regarding how the local state intervenes to formulate policies aimed at poverty and prosperity, opening up a new lens on the stability of the welfare state comparatively across America.

Conceptualizing Neoliberal Policies across U.S. Localities

The United States is regarded as a global model of neoliberal development (Harvey 2005; Jessop 2002). Constrained by their need to address similar capital accumulation problems and protect elites' interests, U.S. subnational governments are assumed to produce similar policy packages. The neoliberal package is defined by policies that limit the scope of the state in providing services, particularly those for the poor, and/or that elevate private sector interests (Béland 2007). As David Harvey (2005) argues, governments at all levels mobilize efforts toward recruiting business, cut social safety nets, and privatize services.

The local state is thought to be especially vulnerable to neoliberal pressures. As noted, the decentralized state is a guiding part of the free-market model (Conlan 1998). Localized government also is long associated with business promotion and competition for external capital as explained by economic development theorists (Logan and Molotch 1987; Okun 1975). Local governments are lead administrators of business incentive programs, exemplified in this comment by Jeb Bush (2006):

> Florida has become one of the strongest business climates in the world . . . it is our local communities [not the state] that drive the majority of our economic development and decide whether they want to be a financial partner by offering an incentive award to a company . . . Our economic development plan is working (p. 3).

Scholars, however, dispute the effectiveness of business attraction programs, generally concluding they are rent-seeking programs by business (Reese and Rosenfeld 2002). Finally, due to increased decentralization since the 1980s, localities are more dependent on own-source funds, creating greater pressures to divert policy efforts toward business growth at the expense of services, especially for the poor (Peterson 1981, 1995). This trade-off problem is recognized by social policy (Schram 1999:2) and economic development policy researchers (Jenkins et al. 2006:1176) as potentially leading to a race-to-the-bottom in the social safety net.[3]

While acquiescence to neoliberal policies occupies scholarly attention, there is surprisingly little research into potential countertrends. Edwin Amenta and Drew Halfmann (2000:506) argue that due to "relentlessly negative expectations" for U.S. social policy, research typically fails to consider its variable support at the state and local levels. Hence, the welfare states literature has difficulty accounting for policy "advances and variations" in the United States. Jeffrey Sellers and Anders Lidström (2007) challenge the assumption that local states are less supportive of social policy around the globe. Instead, they argue, robust social welfare states often rely on and complement local level support and implementation of social policies. Our research extends this line of reasoning. Rather than assuming neoliberal development has transformed the local state, we examine where market-oriented policies are more likely to be used and the extent to which localities have resisted them.

Class Politics and Political Institutions as Bases of Policy Variation

Social scientists stress the joint role of class and state forces in explaining economic development and social policies of nations (Amenta and Halfmann 2000; Evans 1995; Prasad 2006) and U.S. states (Dixon 2010; Jenkins et al. 2006). Research into the resilience of welfare states under neoliberalism has also found that both class politics and political institutions are important (Hacker 2005; Hicks 1999; Huber and Stephens 2005; Pierson 1996; Starke 2006). Considering *both* the impact of class dynamics and political institutions provides a more complete view of policy determinants, avoiding earlier theoretical approaches that viewed class and state explanations as incompatible and mutually exclusive (see for example, Poulantzas 1978; Skocpol and Amenta 1986). Specific to studies of neoliberalism, Ann Shola Orloff (2005:208) notes the advantages of integrating insights into class and political institutions (as opposed to treating them as competing and incompatible theoretical frameworks). Similar points are made in recent Marxist theorizing about neoliberalism (McDonough 2010; Wallace and Brady 2010).

Theoretical elaboration of class politics and political institutional processes is provided in national-level studies conceptualizing shifts in Keynesian state policies. The study of class politics identifies the manner by which class actors and political contexts affect policy choice. This research has produced a multifaceted view of the relative strength of business and labor, left-right political-ideological context, and racial politics. By highlighting class and race, scholars have generated insightful analyses into contemporary welfare states, including the United States (Alston and Ferrie 1999; Hicks 1999; Hooks and McQueen 2010; Huber and Stephens 2001; Korpi 1989; Korpi and Palme 1998; Quadagno 1992, 1994). These studies provide evidence that class politics affects policy. Where left-leaning political parties are in power, the rollback of Keynesian welfare state policies has been slowed (Hicks 1999; Huber and Stephens 2001, 2005). Union strength matters, especially in conjunction with the political balance of power. Business power also matters particularly for promoting free-market economic policy and often for opposing social policy (Hacker and Pierson 2002). While class politics provides compelling evidence across nation-states, whether relationships extend subnationally is unclear.

3. This problem of trade-offs in policy efforts directed to business as opposed to social and general public services is explained in Jenkins and colleagues (2006), Kantor (1995), Peterson (1981, 1995), and Schram (2006). Subnational governments are subject to relentless competitive pressures to attract and retain business and to do so, they may sacrifice local services. Jenkins and colleagues (2006) and Schram (2006) among others refer to this as a "race-to-the bottom" problem: this application to the social safety net is a recent extension of the original race-to-the-bottom that pertains to business policy competition, a term usually attributed to Justice Brandeis.

National-level studies further find that political institutional attributes, especially state capacity and path dependency, affect whether welfare states are resilient in the face of neoliberalism (Pierson 2000; Prasad 2006; Starke 2006). Contra to anticipating the dismantling of the welfare state, Paul Pierson (1994) draws attention to states' capacities (administrative and fiscal) and path dependency to explain the resilience of the welfare state despite powerful external challenges. Extending these insights, we anticipate finding that the capacity of local states and policy path dependency influence the adoption of market-oriented policies.

In his influential account, Harvey (2005) makes the case that neoliberal development creates a political and economic environment that pressures states to adopt policies favorable to capital accumulation and elite interests. From his view, neoliberalism is a project of capitalist-class restoration. This view corresponds with class politics pressures identified above and with business-power literature that sees employers as integral to policy formulation (Domhoff 2010). Extending this line of reasoning to the local state, we should expect a consistent trend across the United States: where the Republican Party is stronger, a pro-business climate is in evidence, and economic growth is anemic, there should be greater use of neoliberal policies. An alternative view, however, is anticipated by scholars stressing localities' increased autonomy under decentralization (Brenner 2004; Sellers and Lidström 2007). Nation-states become "rescaled" under neoliberal development tending to increase local autonomy (Brenner 2004). As such, the turn to neoliberal policies will likely display a great deal of variation across localities. Extending Pierson's (1994) reasoning, this variation should be due to the diversity in administrative and fiscal capacity of local states and to local path dependency.

Variations in Local Market-Oriented Policies across the United States

We draw on class politics and political institutional arguments to anticipate where market-oriented policies are more likely to be used. As these approaches developed at the macro or national scale, they require reframing downward and nuanced interpretation for our case. Still we believe that attending to class politics and in turn to state capacity and path dependency provide a useful lens for explaining local variation across the nation.

Class Politics and Policy Choices. At the subnational level, class politics is expected to work through factors pertaining to class actors and the political context in which governments operate (Jenkins and Leicht 1996). For our study, salient factors include the strength of business interests and labor, political-ideological context, racial politics, and local government unionization.

Relative strength of business interests and labor. Class actors such as business and labor can mobilize "power resources" and create pressures to enact policies serving their interests (Jenkins et al. 2006; Soule and Zylan 1997). Business influence in economic development policy is well established (Dixon 2010; Logan and Molotch 1987; Reese and Rosenfeld 2002). Where this influence is well established, localities utilize a greater number of economic development programs (Reese and Rosenfeld 2002). Business involvement in local government also appears to increase service privatization (Deller 1998). According to Jacob Hacker and Pierson (2002), the business power literature generally views business as opposing social policies. Local policy researchers argue similarly with reasons detailed in Paul Peterson's (1981, 1995) influential works. Business influence is thought to depress social services because local governments seek not to displease broad business interests. They inherently avoid programs that business might see as attracting the poor, raising taxes, and creating local "welfare magnets" (Peterson 1995; Schram 2006). However, Hacker and Pierson (2002) note further research is needed because social services can benefit business insofar as they supplement wages and stabilize the consumer base. Overall, while internal divisions in local business sectors exist, researchers generally expect greater use of market-oriented policy where business influence overall is greater.

State-level studies often hypothesize that a weak working class, indicated by labor union density and manufacturing workers, is related to less progressive policy. Evidence is mixed. This relationship has been found for right-to-work policies (Dixon 2010), but not for business recruitment (Jenkins et al. 2006) and social welfare policies (Zylan and Soule 2000) as we explain further below.

Political-ideological context. Local governments are influenced by the broader context in which they operate. Pressure toward market-oriented policies should be greater where external local, state, and regional conditions create political environments more favorable to these policies. National research into welfare states consistently finds that left-of-center parties are more likely to put in place and defend social welfare programs (Hicks 1999; Huber and Stephens 2001, 2005), while right-wing parties are more likely to roll back social welfare commitments. Hence, for places where the Republican Party is stronger, neoliberal policy choices should be more likely (Harvey 2005). Counties are embedded in states with different traditions of supporting business relative to labor and the poor. When state governments embrace free-market policies, counties should experience greater pressures to adopt these policies. Counties are also affected by larger regional-scale processes. The former Confederate states tend to maintain a weaker social safety net and a political culture more hostile to social welfare policy (Schram 2006). For this reason, southern states are expected to produce local governments more oriented toward neoliberal policies. Finally, the whip of the capitalist economy may impact policy choices. Poorer counties, which include much of rural America, may be pushed toward these policies due to economic desperation (Tickameyer et al. 2007).

While political-ideological context is hypothesized to influence policy, empirical studies demonstrate this context can play out in complex ways. At the state level Dixon (2010) finds that a weak working class, strong Republican Party, and location in a southern state are linked to the enactment of anti-union, right-to-work policies. Craig Jenkins and colleagues (2006) find that Republican-leaning states use a greater number of business recruitment strategies. But they also find more of these policies where manufacturing employment is higher; they explain that working-class interest in attracting jobs may pressure states toward lower-road policies. Yvonne Zylan and Sarah Soule (2000) find Republican-leaning states were the first to adopt restrictive welfare waivers. But working-class power, indicated by union density, also increased waiver adoption, suggesting a pushback against unions.

Racial politics. Racial tensions can undermine working-class unity, thereby weakening its capacity to influence progressive policy. Racial dynamics play a prominent role in the weakness of the U.S. welfare state (Alston and Ferrie 1999; Hooks and McQueen 2010; Quadagno 1992, 1994). When examining subnational politics, the proportion of black population is often used as an indicator of racial divisions. States with a larger black population adopted the most restrictive welfare policies historically (Soule and Zylan 1997; Zylan and Soule 2000) and have the most exclusionary systems at present (Schram 2006). At the local level, however, the black population may indicate more of a need-based claimant for public services, with localities responding in tandem (Oakely and Logan 2007). Cybelle Fox's (2010) study of cities' black/Latino composition in 1929 finds more complex patterns of welfare spending than anticipated by accounts focused solely on racial resentment and racial threat.[4] Studies emphasizing racial politics focus on social welfare policies, with little attention to other policies.[5]

Unionization of the local state's workforce. Public sector unions are important class actors, illustrated by recent right-wing attempts to curtail their power. Insofar as public sector unions reflect labor's power, the class-politics approach suggests unionized governments should resist market-friendly policies. However, research suggests public unions play a mixed role: they have been linked to *both* greater public service provision *and* privatization (Clingermayer and Feiock 2001;

4. Anticipating the impact of race/ethnicity is complex because a high proportion of minority residents may indicate "need" for greater services; at the same time, impoverished minority residents may lack the bargaining power to make demands for these programs (Oakley and Logan 2007; Reese and Rosenfeld 2002). Fording, Soss, and Schram (2011:1638) also illustrate this complexity in their findings for welfare program sanctions.

5. Research provides no clear empirical direction for how race/ethnic composition affects business attraction policies and privatization. Major studies of business attraction policy (e.g., Jenkins et al. 2006; Reese and Rosenfeld 2002) do not include race/ethnic variables.

Deller 1998). On the one hand, a unionized public workforce indicates a skilled labor force and greater power resources, which can be mobilized to protect jobs. This, in turn, should result in a larger number of services provided. On the other hand, some studies have found public sector unions related to greater outsourcing (Clingermayer and Feiock 2001; Deller 1998). Researchers reason that more highly unionized local governments are less able to compete with private employers' lower labor costs and they must protect union-labor contracts. Thus, some studies conclude unionized governments use outsourcing as a service-adjustment strategy that safeguards core labor but pushes them toward contracting out as service needs arise (Clark and Walter 1991; Hirsch 1995a, 1995b). Further, as found for industrial unions, where labor has power, pushbacks toward neoliberal policies may occur (Lord and Price 1992; Zylan and Soule 2000). Public sector unions' impact on local business promotion policies is unclear. While ideological orientation might predispose them to opposition, they may support these policies as part of local growth coalitions' as suggested in the growth machine literature (Logan and Molotch 1987).

Political Institutional Influences and Policy Choices. In addition to class politics, a number of studies provide evidence that political institutions influence state governments' policies (Dixon 2010; Grant and Hutchinson 1996; Jenkins and Leicht 1996; Soule and Zylan 1997) and local policies (Fox 2010; Lord and Price 1992). This research suggests that administrative and budgetary capacity affects the degree to which local states display independence in policy making. It also provides some evidence that past policy choices constrain options for retrenchment (Soule and Zylan 1997). These factors should contribute to policy diversity at the local level, even if the national political climate is supportive of neoliberal governance. John Mollenkopf (1989) explains the degree to which local bureaucracies influence policy is always an open question. In the pre-Nixon era, he finds the relatively independent actions of local officials were more important determinants of cities' policies than were external political-economic constraints. Although decentralization is regarded as a market-oriented shift, from an institutional lens it may enhance the range of options available to local governments even as it adds new pressures (Brenner and Theodore 2002; Sellers and Lidström 2007). Decentralization trends show that counties have been expanding their governance roles with larger staffs and bigger budgets since the Reagan era (Benton 2002). We anticipate that market-oriented policy choices are influenced by administrative capacities, governance in a decentralized system, and past policy choices.

Local state capacity. As the Weberian tradition has emphasized, rationalized and professionalized organizations have greater capacity to act. Administrative size, professionalization, and other resources reflect state strength. These attributes provide tools for controlling external conditions and are related to greater policy-making activity (Jenkins et al. 2006; Jenkins and Leicht 1996; Soule and Zylan 1997). It should be kept in mind that enhanced state capacity is *not* antithetical to neoliberal policies. High capacity governments tend to be more activist overall, undertaking more policy activities of all types. Jenkins and colleagues (2006) find that capacity increases the number of both progressive and low-road (i.e., business tax breaks) economic policies utilized. Soule and Zylan (1997) note that high capacity state governments are policy leaders. They pursue policies perceived as new, including innovative neoliberal policies.

For local governments, capacity is usually measured by administrative indicators (size, professionalized staff, and stronger central administration), and resource autonomy from federal/state government. These attributes strengthen the ability of localities to formulate policy and deliver services. Counties with larger, more professionalized staff and greater fiscal autonomy provide a relatively greater number of public services, including services for the poor (Benton 2002; Jeong 2007). However, at the same time, capacity tends to be related to use of economic development policies of all types (Jenkins et al. 2006; Reese and Rosenfeld 2002). Studies also find capacity associated with privatization or service outsourcing (Jeong 2007; Warner 2006). Higher capacity governments are thought to pursue privatization because they have better ability to adjudicate and monitor contracts (Jeong 2007; Warner 2006) and because a professionalized staff is willing to experiment with service delivery (Clingermayer and Feiock 2001). In sum, high-capacity counties may protect social services but use more business-friendly development policies and experiment with service privatization.

Decentralized governing and fiscal constraints. Subnational governments face common institutional constraints in decentralized systems, which affect policy choices. Fiscal pressures, particularly from upper-level government, and economic competition are two such constraints (Jenkins et al. 2006; Soule and Zylan 1997; Zylan and Soule 2000). Lack of revenue streams may increase use of market-oriented policies as governments seek to compensate for shortfalls. For example, states receiving a smaller share of federal revenue use a greater number of business-friendly policies (Jenkins et al. 2006). Fiscal problems also increase the likelihood of restrictive welfare programs (Zylan and Soule 2000). Competition for jobs among localities is a key determinant of business-attraction policies (Fisher and Peters 1998; Reese and Rosenfeld 2002). In general, pressures from state/federal governments and economic competition should increase the use of market-oriented policies.

Past policy responses. As Pierson (1994) explains, past welfare state policies may carry forward owing to established constituencies and because they operate in a path-dependent manner to direct future policy choice. With a focus on state governments, researchers find past policy choices impact current policies (Jenkins et al. 2006; Soule and Zylan 1997). Local policy choices likely reflect a similar pattern. For example, Laura Reese and Raymond Rosenfeld (2002) note business attraction policies tend to persist irrespective of local economic conditions. Once established, they become built into bureaucratic operations, creating path dependency in future activity. Whether past use of progressive policies contributes to market-oriented resilience has not been explored across localities to our knowledge but research is suggestive of this relationship.

In Table 1, we summarize expectations for relationships derived from theory. From the class politics perspective, local governments are more likely to adopt a market-oriented policy package where business influence is greater, the Republican Party is stronger, the working class is weaker and more racially divided, and the local economy is struggling. These trends are amplified in the South and in states that have adopted pro-business policies. From the political institutional approach, local governments with greater capacity should be more activist overall. They should

Table 1 • *Expected Relationships of Class Politics and Political Institutional Variables with Market-Oriented Policies*

	Business Attraction	*Social Service Provision (weaker)*	*Privatization*
Class politics influences			
Business influence	+	+	+
Working-class strength	–?	–	–
Republican Party strength	+	+	+
Pro-business policies at state level, located in southern state	+	+	+
Local economic stagnation	+	+	+
Race/ethnic composition (black/Latino population)	+	+	+
Unionization of county government labor force	–?	–	–?
Political institutional influences			
Local state capacity	+	–	+
Pressures, decentralized governing (fiscal pressures from state/federal government and other constraints)	+	+	+
Past market-oriented policy tradition	+	+	+

Notes: "+" and "–" denote direction of relationships derived from theory; "?" denotes gaps where empirical studies do not appear to support this theoretical direction.

provide a greater number of social services and business attraction policies and potentially engage in greater outsourcing. Localities face governing constraints in a decentralized system, pressures that should increase use of market-oriented policies. Reflecting the importance of path dependency, policies used in the past are expected to channel localities in a similar future direction. Finally, in Table 1, we note three relationships where local-level empirical research does not appear to support the direction of relationships anticipated from theory.

Data and Measures

Information about local market-oriented policies across the nation is limited because secondary sources do not provide such detailed policy information. To study policies across large numbers of governments, researchers collect primary data from officials such as city mayors and county commissioners (Clark 2000). But to date, almost all data collection efforts are cross-sectional and limited in national coverage.[6] Our study is made possible by a unique primary data collection effort that provides detailed policy and institutional data on the majority of county governments across the nation.

Local policy studies focus either on county or city governments. Both are general-purpose governments that provide similar wide-ranging public services (Benton 2002). Counties offer advantages that include coverage: both urban and rural areas, the full geography of the United States can be studied, and more total residents reside in counties. Counties exceed federal civilian government in employment size (Benton 2002; U.S. Census Bureau 2008).[7] Social problems research studying geographic variations often uses counties as ecological units (Stretesky et al. 2011; Van Dyke and Soule 2002).

This study integrates both primary and secondary data. The research design follows the empirical tradition noted above that uses large sample sizes of local governments (i.e., cities or counties) to analyze public policies, a design pioneered by the University of Chicago's Fiscal Austerity and Urban Innovation Project (Clark 2000). The data collection strategy, construction of policy variables, and statistical modeling follow the numerous studies in this tradition (for examples see Basolo and Huang 2001; Clark and Walter 1991; Clingermayer and Feiock 2001; Farmer 2011; Joassart-Marcelli and Musso 2005; Maher and Deller 2007; O'Connell 2008; Reese and Rosenfeld 2002; Sharp 2012; Sun 2010; Wood 2005). These studies employ data on local governments that are collected through surveying government officials such as city mayors and county commissioners. Primary data collection is needed to: (1) compensate for the absence of secondary sources that provide direct listings of local policies; and (2) document unique local dynamics. To date, almost all survey-based government studies are cross-sectional, making policy shifts difficult to ascertain.

Our research offers several advantages. First, we have compiled data for the majority of county governments in the United States ($N > 1{,}700$), making this study more generalizable than most. Second, we collected policy variables for the same localities for two time points. We focus on the 2007-2008 movement into recession and demonstrate policy shifts from 2001 (a relatively more robust period prior to the September 11th attack). Third, we examine whether past use of

6. This research design became institutionalized with the University of Chicago Fiscal Austerity and Urban Innovation Project (Clark 2000). Policy is defined as the public activities governments undertake (Eisner, Worthsam, and Ringquist 2006:2). The most commonly used local policy data in scholarly studies are the International City/County Management Association (ICMA) surveys that collect government data from local officials. ICMA surveys are cross-sectional, focus on large counties and cities, and generally have response rates around 30 percent.

7. County government growth (measured by employment) also outpaced that of federal, state, and municipal governments from 1982 to 2007. Benton (2002) attributes county growth to suburbanization of places where counties are the major service provider and decentralization, including welfare reform. Post-recession, state, county, and municipal governments all experienced employment decline (Dadayan and Ward 2011).

business-friendly policies further tilts localities toward neoliberal policy by depressing future social service delivery, as is often posited (Peterson 1995). To our knowledge, this relationship has not been scrutinized across U.S. localities due to lack of cross-time data.

For this study, we also integrate data from secondary sources, including the Census of Governments (see below). Here we provide an overview of the primary data collection, including procedures and measurement conventions.

Policy-related data are obtained from a fall 2007 through spring 2008 survey of county governments we conducted in collaboration with the National Association of Counties (NACo). The survey (henceforth referred to as the 2008 NACo survey) was designed to capture policy shifts as the United States moved into recession. The 2008 NACo survey used the same methodology as an earlier version conducted in 2001. For data collection procedures see Lobao and David Kraybill (2005, 2009). Forty-six of the contiguous states rely on the county as a local unit of government (including Louisiana parishes). (In Rhode Island and Connecticut, counties are used for statistical reporting and not included here.) For each county in these 46 states, NACo identified a county commissioner or other county executive who served as a point of contact. In total, surveys were mailed to officials in approximately 3,000 counties. Relying on methods developed by Don Dillman (1978), this survey yielded a response rate of 60 percent (1,756 counties). This response rate is twice as high as ICMA policy surveys used widely in academic research (see Reese and Ye 2011). Of these counties, 1,025 also had cross-time policy data available from the NACo 2001 survey.

While their methodology is well established, government surveys have limitations (Wolman 1996). The most commonly noted limitation is they mainly allow construction of dichotomous measures such as use/nonuse of a policy tool or service activity. To improve upon single-item measures, we follow other studies in using a count of policies to measure policy intensity (Jenkins et al. 2006; Reese and Rosenfeld 2002; Sharp 2012). Further, following H. Wolman's (1996) recommendation that government officials should report on change of efforts, we employ additional measures of policy efforts. The potential for response bias in government surveys has not been given much previous attention but it merits discussion. We tested for two types of response bias: bias due to systematic difference between responding and nonresponding counties and in terms of characteristics of responding officials. These tests yielded no evidence of systematic bias in the models reported here.[8]

Dependent Variables: Measures of Market-Oriented Policy Activity

Business Attraction. Researchers view external business attraction as a big-business friendly activity, distinct from activities supporting smaller family businesses. They conceptualize the number of policy tools used to attract business as indicating governments' intensity in courting and subsidizing business, constructing indexes with a count of policy tools (Jenkins et al. 2006; Reese and Rosenfeld 2002). However, no standard menu of business attraction tools is utilized across studies. We focus on seven common tools: tax abatements; tax increment financing of infrastructure; loans for grants to exporters; subsidized business loans; national advertising; national travel to recruit new businesses; and international business recruitment. Two indexes were created. The first is a sum (count) of use (1) or nonuse (0) of the tool. The second measures range in effort: officials were asked to report whether their county over the past five years increased use of the tool/activity, provided it at the same level, or decreased its use. This second index is the sum

8. We used logistic regression with response-nonresponse as the dependent variable with major county attributes as independent variables to examine response bias. County governments responding to the survey did not differ from nonresponding counties. This is expected given the high response rate. We also regressed the six dependent variables on the NACo-identified contact officials' education, age, gender, length of time in county employment, elected/appointed status, and several variables measuring contacted officials' policy stance (e.g. views of county spending for the poor). No statistically significant differences for contacted officials' attributes are found across these models.

of the number of policy tools increased. Few counties report decreased use of any tool/activity while increases in use of any tool/activity ranged from 2 to 28 percent, reflecting counties' expanding roles in economic growth. To verify the seven item components of each index measure the same activity domain, we used confirmatory factor analysis and tested for a one-factor solution. For each index, every item loaded on a single factor with loadings at .50 and above, indicating the items are intercorrelated and can be reliably combined into an index.[9]

Local Social Services. Governments with a weak social safety net provide fewer social services overall and are less likely to increase services over time (Starke 2006). Social service policies are measured using the number of services provided and degree of efforts to increase them. Few counties directly cut any service.[10] Lists of local governments' social services are not available nationally from secondary sources and no standard indexes exist. We create measures from ten services conceptualized as "redistributive" or contributing to the social safety net (Peterson 1995, 1981): homeless shelters; housing assistance; child care; elder care; shelters for battered persons; drug-alcohol rehabilitation; mental health; nutrition assistance; senior citizen programs; and public housing.[11] Two sets of indexes are created in the same manner as described above for business policy and confirmatory factor analyses established their unidimensionality. The first index is a summation of the use (1) or nonuse (0) of the activity and the second is a sum of reported increases in effort in the past five years. Cronbach's alpha coefficient is .933 for the total social service index and .752 for the effort index.

Privatization. Following other studies, we measure privatization by the proportion of services provided where contracting out occurs (Clingermayer and Feiock 2001; Deller 1998; Joassart-Marcelli and Musso 2005). For a menu of 21 general public services, affirmative reports were tallied to the question, "Does your county contract with any private companies or nonprofit organizations to provide the following services?" The mean proportion of contracted-out services is 23 percent, similar to other local studies (Warner 2006).[12] The most frequently contracted out service is solid waste removal. We also measure the incidence of a recent privatization event. This is a dichotomous item used in ICMA surveys that asks whether "in the past five years your county privatized any of its services?," with 14 percent of counties responding affirmatively.

In Figure 1, we provide a map that displays the counties included in this study and the prevalence of privatization in service delivery. As shown, the counties included in this study provide broad geographic coverage. Further, rates of outsourcing are widely dispersed across and within states, highlighting geographic complexity. About one-third of counties do no outsourcing of any of the services they provide.

Independent Variables

Independent variables are drawn from the NACo surveys and from Census and other secondary sources that are closest in time order prior to the 2008 dependent variables.

9. Cronbach's alpha coefficient is .781 for the total number index and .562 for the index of increased effort. Summated indexes based on the raw values are created following other studies of local policies (Clingermayer and Feiock 2001; Jenkins et al. 2006; Reese and Rosenfeld 2002).

10. Starke (2006) and Prasad (2006) note failure to increase social services is an indicator of retrenchment because need for such services has grown. In our case, this measure is useful for determining weaker local social safety nets because so few counties (on average under 4 percent) cut any social service. This point is discussed below and corroborated with Census of Governments spending data (see the Appendix).

11. We chose these services because they reflect local redistributive services (Peterson 1981, 1995) and NACo identifies them as primary services. We examined different combinations of services but found no appreciable differences in results.

12. Counties could indicate both county and private-sector/nonprofit provision. Less than 10 percent chose both response categories for any single service.

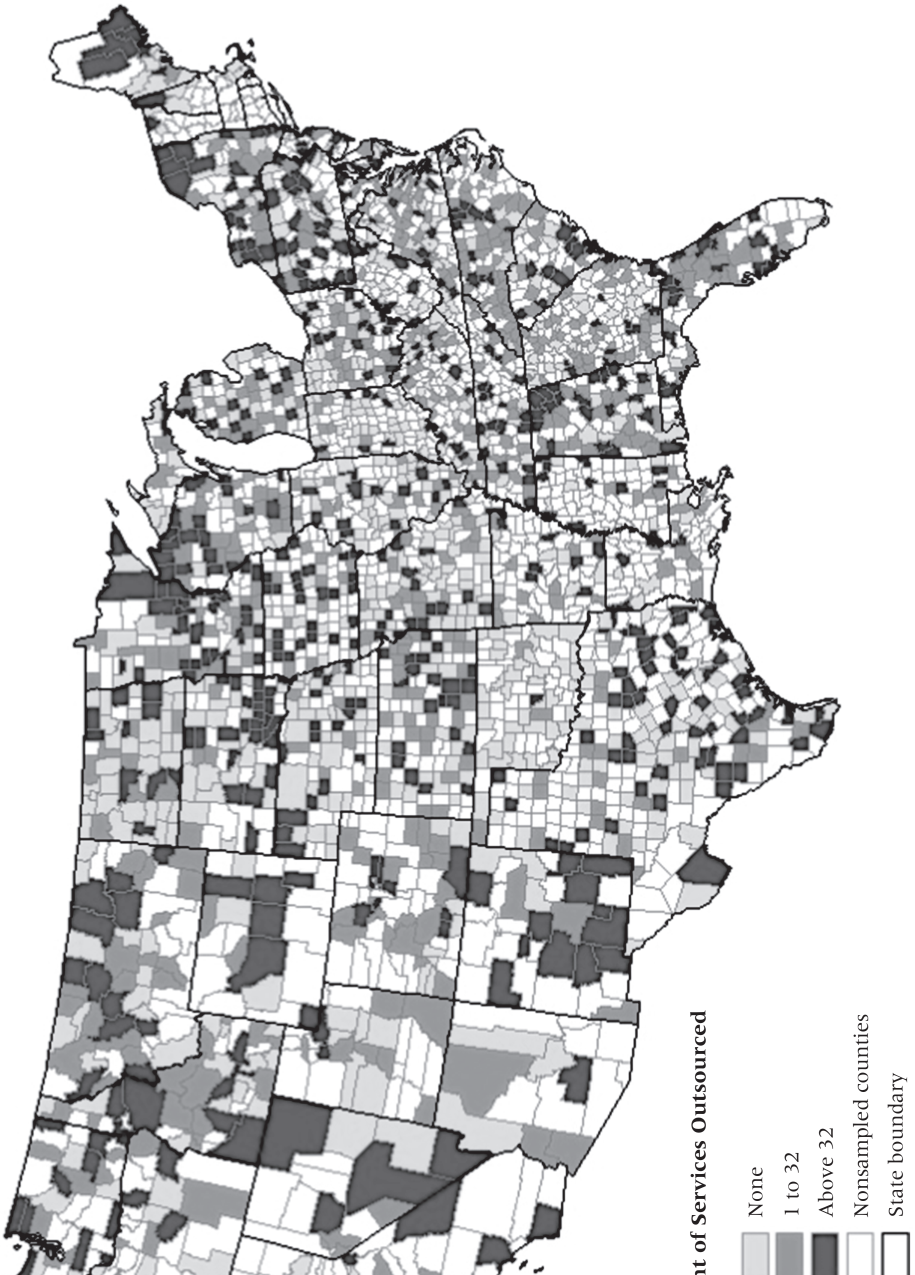

Figure 1 • ***Sampled Counties and Privatization across U.S. Counties***

Class Politics. Business pressure, the political-ideological context in which counties operate, racial dynamics, and public sector unions are expected to influence market-oriented policy. To measure business pressures, local government survey-based studies commonly use an indicator of officials' reports of the degree of *business influence* on the local governments' economic development agenda (Reese and Rosenfeld 2002). We likewise employ this indicator. It ranges on a scale from 1 ("little or none") to 4 ("high"). To measure working-class strength, state-level studies conventionally use labor union density but as these data are not available for localities, researchers must develop proxy variables. We use the proportion of *employment in manufacturing* as a proxy for working-class strength with data from the Census of Population (U.S. Census Bureau 2004).[13] The decline of manufacturing employment has long been seen as reducing the bargaining power of the working class (Harrison and Bluestone 1988).

Political-ideological contexts that are Republican-leaning, pro-business, and with stagnant economic conditions should be more fertile grounds for market-oriented policy. The proportion of *Republican voting* in the 2004 presidential election is used to measure partisan strength. We make use of the Pacific Research Institute's Economic Freedom Index to measure the *pro-business policy climate* of the state in which a county is located (McQuillan et al. 2008). Utilized by economists to measure business climate (Goetz and Rupasingha 2009), the index is composed of 143 indicators measuring fiscal burdens, regulatory practices, government size, and welfare generosity. We use the 2004 index since it is prior to the outcome variables, reversing its composite scores so that it ranges from low to high pro-business climate. We include *Confederate state* location to tap regional political-ideological climate. The two previous state-level variables are important conceptually because they indicate a regressive class-politics context and allow us to determine whether counties march in step with or resist this context.

To measure local economic stagnation and related conditions, we use the *family poverty rate* and *metropolitan location* (metro county; nonmetro county adjacent to a metro area; and remote rural places, nonmetro, nonadjacent county). Minority composition is a key indicator in racial politics studies. We use the proportions of *African American* and *Latino* populations. Population indicators are from the 2000 Census, the national data source prior in time to the dependent variables. The proportion of *unionized county employees* is used to measure union influence with these data unique to the NACo survey.

Political Institutional Influences. We focus on three aspects of political institutions. *Local state capacity* is measured by commonly used variables of administrative size, staffing, and fiscal resources that strengthen the ability to deliver services and improve policy making (Reese and Rosenfeld 2002). *Government size* is measured by the number of full-time employees. Professionalization of staff is measured by two variables. The first is counties' use of an *administrator/executive,* a measure of administrative capacity noted to provide stronger leadership and accountability (Benton 2002). Here more centralized oversight is provided by one officer who manages the governing board. Researchers expect counties operating with this board officer to be more active in policy development (Benton 2002; Jeong 2007). The second indicator is the presence of a *grant writer on staff,* important for competing to obtain external funds. These variables are from the 2008 NACo survey. To undertake independent policy making, own-source resources are important. Using the Census of Governments, we construct a measure of fiscal autonomy, the *ratio of state and federal to own source revenue* (Stonecash 1998). Capacity for independent policy making increases where control over service provision is centralized in the governing unit (Reese and Rosenfeld 2002). Service centralization permits greater autonomy because counties contend less with priorities of other providers servicing their residents. We measure service centralization by taking the number

13. The limitation of this measure should be stressed. It does not directly ascertain working-class strength in the manner of labor union organization. Because unionization rates are not available across localities, researchers develop proxy variables often using employment categories (Lobao, Rulli, and Brown 1999).

of services for which the county is the major provider as a proportion of the total number of services following Roland Zullo (2009).[14]

Pressures from governing in a decentralized system impact policy choice and implementation (Donahue 1997). Using the NACo data, we create an index of *devolution-related fiscal pressure* by summing responses to four pressures experienced in the past five years (loss of federal revenue, loss of state revenue, mandated costs from federal and state governments, and state revenue/expenditure limits). Each is coded 3 (very important problem), 2 (somewhat important), and 1 (not important). Previous studies that use this measure include Terry Nichols Clark (2000) and Lobao and Kraybill (2009). Cronbach's alpha coefficient for the index is .77. *Welfare devolution* pressure is measured by location in a state that devolves welfare (TANF) administration to counties. Competition with other localities is measured by a dichotomous variable indicating whether or not in the past five years the county experienced *competition from other local governments* to attract businesses.

Past policy responses are measured using data from the first wave NACo survey. The 2001 value of each dependent variable described above is included in the analyses.

Local Population Attributes. Variables used to control for other county conditions include the percent of college graduates, population over age 65, and population size (logged). These are from the 2000 Census of Population. Descriptive statistics for all variables are shown in Table 2.

Analysis

Relationships among Policy Variables

Are U.S. local governments employing a consistent package of market-oriented policies? Bivariate relationships suggest otherwise (see Table 3). For example, counties more engaged in business-friendly development, as measured by business attraction policies, do not have a limited social safety net (as measured by fewer social services). Business attraction is, however, related to greater use of privatization. Nevertheless, it is possible that counties shifted toward market-oriented directions over time. Using 2001 data for the same counties ($N = 1{,}025$) we tested for policy changes (Table 3, last two columns). In 2008, counties engaged in fewer business attraction activities with no significant change in the number of social services. Efforts devoted to expanding both business attraction and social services are lower in 2008. Privatization appears to have slowed. Further evidence from the Census of Governments also supports resilience in terms of social services spending (see the Appendix). These findings challenge common assumptions about a widespread shift toward neoliberal policy paths.

Multivariate Analyses

Results from multivariate analyses are shown in Tables 4 through 6. The analyses account for county variation within and across U.S. states. We used mixed-effects regression models (linear and logistic), which treat state-specific intercepts as random components of the error term. We chose this approach for several reasons. Since counties are nested in states, state-to-state variability exists in the data. Ordinary least squares regression would introduce potential heterogeneity error whereby unmeasured state variables could bias coefficients. This was confirmed using

14. NACo survey items are used. No national data exist on different providers in counties or cities. Item construction follows ICMA surveys using a list of providers for each of 26 general services. Items are coded to denote whether the service is available in the county and if so, whether the county is the major provider. The proportion is then created following Zullo (2009).

Table 2 • *Descriptive Statistics for Counties' Policy and Other Variables*[a]

	Mean	*Standard Deviation*
County policy-related activities		
Business attraction, number	2.05	2.01
Business attraction, effort (increased)	.53	.96
Social services, number	3.98	3.14
Social services, effort (increased)	.88	1.55
Outsourced services (proportion)	.23	.24
Privatized service (any, past 5 years)[b]	14.2	
Class politics: actors and context		
Business influence	1.85	.70
Percent manufacturing labor force	15.6	9.1
Percent Republican	61.5	11.9
Pro-business climate, state	14.15	4.69
Confederate state[b]	33.8	
Poverty rate	10.33	5.45
Metro[b]	32.2	
Nonmetro adjacent[b]	34.9	
Nonmetro nonadjacent[b]	32.9	
Percent African American population	7.21	12.7
Percent Latino population	5.7	11.7
Percent unionized county government employees	17.7	27.7
Political institutional attributes: local state capacity and pressures		
Government size	328.00	461.40
Staff, administrator/executive[b]	53.3	
Staff, grant writer[b]	32.4	
State + federal/own-source revenue	.31	.18
Service centralization	.43	.19
Devolution-related fiscal pressure	9.11	2.35
Welfare devolved[b]	30.0	
Competition, other governments[b]	36.1	
Local population attributes		
Percent college graduates	16.4	7.4
Percent population age > 65	15.1	4.3
Population size	71,264.70	268,327.27

[a]Statistics shown are for county government units in 2008, $N = 1{,}756$ counties.
[b]Categorical variables, percent of counties reporting.

Table 3 • *Policy Responses: Zero-Order Correlations and Changes over Time*

	1	*2*	*3*	*4*	*5*	*Policy Contrasts*[a] *2001*	*2008*
1. Business attraction, number[b]	——					2.08	1.90*
2. Business attraction, effort	.505***	——				.59	.45**
3. Social services, number	.250***	.113***	——			3.80	3.75
4. Social services, effort	.168***	.194***	.392***	——		1.32	.77***
5. Outsourced services (proportion)	.073**	.049*	.175***	.112***	——	26.4	21.7***
6. Privatized service (any, past 5 years)	.126***	.122***	.166****	.105***	.108***	21.3	12.8***

[a]Significant differences between the same counties for two time points (2001 and 2008) are reported based on *t*-tests or chi-square tests as appropriate ($N = 1{,}025$ counties).
[b]Zero-order correlations shown are for 2008 ($N = 1{,}756$ counties).
*$p < .05$ **$p. < .01$ ***$p < .001$ (two-tailed tests)

Lagrange multiplier tests. Further, our models include state-level variables: this makes random-effects models necessary, since state-fixed effects would be orthogonal.

We examined other methodological issues. Variance inflation factors show no high collinearity. We examined other potential independent variables and different measures of variables to ensure findings remain stable. We checked for potential interaction effects between the class politics and political institutional variables: few were significant and no consistent patterns across models were found.[15] To examine past policy, we include lagged policy variables from the 2001 survey. We conducted Hausman tests to check that no significant endogeneity exists in these models. Finally, unlike standard Census-based studies of contiguously bordering counties, we employ a noncontiguous sample; therefore additional spatial analyses are not directly pertinent.

Business Attraction. Results for business attraction policies are shown in Table 4. Model 1 displays the number of business attraction policy tools used in 2008. For class-politics variables, local business influence ($b = .341$) is related to a greater number of these policies, supporting longstanding research on business-class power (Logan and Molotch 1987). Counties with a larger share of manufacturing workers ($b = .012$) also use a greater number of business attraction tools; this is consistent with subnational research noted earlier that working-class pressures for reindustrialization can promote these policies. Turning to political-ideological context, no significant relationships are found for pro-business state-level policy climate, southern location, poverty, and rural location, although in Republican-leaning areas counties are somewhat more likely to use these policies ($b = .958$, $p < .10$). Overall these findings contrast with expectations that class politics will be manifest at the contextual level. Rather, these findings follow empirical reports that political and economic context have waned in determining business attraction (Reese and Rosenfeld 2002). Localities across the board seek to attract business more so than in the past. Counties with a larger African American population ($b = .011$) use a greater number of business attraction policies. As noted, few studies examine race/ethnic composition and business attraction policies. Based on racial-politics arguments, racial divisions may dampen public pressure on local governments to rein in these programs. Unionized county employees are related to business attraction. Our research is the first to report this finding; it suggests that public sector workers may lend support to growth-machine pressures, potentially to boost local revenues. In sum, class-interested actors are related to business attraction policies but broader, political-ideological context explains little about variations across counties today.

Political institutional attributes, particularly local state capacity, are closely connected to the use of business attraction policies. Capacity variables show that larger governments, the presence of an administrator/executive to provide stronger leadership, skilled staff (grant writer), and greater centralized control (service centralization) are related to use of a greater number of business attraction tools. These results corroborate Weberian arguments that capacity makes it possible for states to act. Our findings for capacity are empirically consistent with other studies (Reese and Rosenfeld 2002). Decentralized federalist systems tend to create pressures for resources. Competition from other local governments is related to a greater number of business attraction tools. Fiscal pressures related to devolution ($b = .031$, $p < .10$) are also associated with these policy choices.

In Model 2 (Table 4), the influence of past policy is assessed by including the lagged (2001) variable for business attraction. This coefficient shows that counties using a greater number of business attraction tools in 2001 continued to do so in 2008. To our knowledge, this research is the first to provide broad evidence of path dependency in economic development policy across

15. Preliminary models included other measures for class politics (NGOs/citizen groups, unemployed population) and for political institutional attributes (fiscal and other indicators); they were not statistically significant. We also conducted separate analyses for class politics and political institutional variables. The addition of one set to the other did not significantly change the overall trends. This suggests class politics and state-centric political institutional variables operate relatively independent of each other. As Jenkins and colleagues (2006) note, extant studies tend to treat each set of determinants additively and we find this relationship empirically in our models.

Table 4 • *Business-Friendly Economic Development: Business Attraction Policies*[a]

	Model 1 Number (2008)	*Model 2 Number (2008–2001)*	*Model 3 Policy Effort (2008)*	*Model 4 Policy Effort (2008–2001)*
Class politics: class actors and context				
Business influence	.341	.352	.110	.061
	(5.65)***	(4.58)***	(3.46)***	(1.51)
Percent manufacturing labor force	.012	.021	.013	.013
	(2.87)**	(2.27)*	(3.87)***	(2.88)**
Percent Republican	.958	1.889	−.026	.135
	(1.84)	(2.77)**	(−.10)	(.40)
Pro-business state climate	−.029	−.044	.012	.006
	(1.23)	(−1.61)	(1.76)	(.60)
Confederate state	.282	.142	.058	−.031
	(1.12)	(.49)	(.79)	(−.31)
Poverty rate	−.004	.006	−.003	−.005
	(−.32)	(.34)	(−.54)	(−.66)
Metro[b]	−.094	.040	.034	.099
	(−.67)	(.22)	(.47)	(1.04)
Nonmetro adjacent[b]	−.058	−.036	.061	.079
	(−.52)	(−.25)	(1.05)	(1.03)
Percent African American	.011	.015	.006	.007
	(2.05)*	(2.00)*	(2.22)*	(1.77)
Percent Latino	−.003	.002	−.001	.002
	(−.51)	(.25)	(−.40)	(.70)
Unionized county employees	.005	.008	.002	.001
	(2.36)*	(2.61)**	(1.72)	(.71)
Political institutional attributes: local state capacity and pressures				
Government size	.185	.122	.092	.117
	(2.65)**	(1.23)	(2.68)**	(2.35)*
Staff, administrator/executive	.247	.197	.086	.125
	(2.60)**	(1.61)	(1.76)	(1.97)
Staff, grant writer	.424	.556	.152	.164
	(4.42)***	(4.54)***	(3.02)**	(2.51)*
State + federal/own-source	−.210	−.599	−.205	−.225
revenue	(−.64)	(−1.42)	(−1.38)	(−1.11)
Service centralization	.690	.412	.100	−.047
	(3.01)**	(1.42)	(.84)	(−.31)
Devolution-related fiscal pressure	.031	.017	.009	.011
	(1.68)	(.71)	(.95)	(.87)
Welfare devolved	.074	.051	.043	−.017
	(.31)	(.19)	(.68)	(−.20)
Competition, other governments	1.125	1.025	.402	.381
	(11.94)***	(8.34)***	(8.17)***	(5.91)***
Local population attributes				
Percent college graduates	−.008	.003	−.003	−.000
	(−.95)	(.28)	(−.68)	(−.07)
Percent population age > 65	1.095	−.027	.697	.575
	(.85)	(−.02)	(1.07)	(.69)
Population size (log)	−.012	−.015	−.049	−.090
	(−.19)	(−.16)	(−1.44)	(−1.89)
Past policy responses				
Business attraction activity		.218		.025
		(4.20)***		(1.73)

(continued)

Table 4 • *Business-Friendly Economic Development: Business Attraction Policies*[a] *(Continued)*

	Model 1 Number (2008)	Model 2 Number (2008–2001)	Model 3 Policy Effort (2008)	Model 4 Policy Effort (2008–2001)
Log-likelihood	6601.9	3822.5	4479.4	2604.4
Rho	.116	.139	.007	.022
N	1,756	1,025	1,756	1,025

Note: Numbers in parentheses are *t*-tests.
[a]Unstandardized coefficients from random-effects regression models with state-specific error terms.
[b]Comparison category for metro/nonmetro adjacent counties is remote rural (nonmetro, nonadjacent) counties.
$*p < .05$ $**p < .01$ $***p < .001$ (two-tailed tests)

U.S. localities. In this model, other findings are similar in direction as in Model 1, and Republican voting attains statistical significance.

Models 3 and 4 (Table 4) display the second variant of the dependent variable, change in the use of business attraction tools, measured by increased effort over the previous five years. Findings for Model 3 are similar to those of Model 1. Model 4 adds the lagged dependent variable for policy effort, referring to years prior to 2001. The coefficient is significant at $p < .10$, indicating past business attraction efforts carry over to some degree to future efforts.

Local Social Services. Results for social service provision are presented in Table 5. As discussed, these variables are coded in the same manner as business attraction (number of policies and change in effort). To correspond with our emphasis on neoliberal policy, we focus on *where the local social safety net is weaker* as indicated by *fewer services* and *failure to increase* them.

Model 1 displays several unique findings for variables derived from class-politics arguments. First, business sector influence is related to the number of social services counties provide but in the direction of more rather than fewer services. This finding challenges conventional literature arguing that localities may provide fewer social services to send a signal to the business community of welfare magnet and high tax avoidance (Kantor 1995; Peterson 1981, 1995). Instead, this finding follows Hacker and Pierson's (2002) observations that the conventional view of business opposition to social services merits further research and questioning because a stronger social safety net can benefit business sectors (see also Huber and Stephens 2005). Stephen Goetz and Hema Swaminathan (2006), for example, provide anecdotal evidence of a "Wal-Mart" effect, cases where employers have vested interest in county social services. Second, political-ideological context has some influence: in states displaying a stronger commitment to free-market ideology, counties provide fewer social services. Poverty rates and Republican voting are also associated (at $p < .10$) with fewer services. Third, we find little evidence that racial/ethnic composition influences the number of social services provided. As discussed, racial/ethnic composition may have inconsistent impacts because it reflects the local population's need for services as well as racial divisions and these may work in opposing directions. Finally, where public sector unionization is lower, counties provide fewer social services. This highlights the importance of public sector unions for a strong social safety net.

For political institutional variables, local state capacity displays a strong and consistent relationship to social service provisions. Weak capacity (smaller-sized governments, the absence of a grant writer, and weaker county service centralization) is related to fewer social services. In states that devolved welfare administration, counties provide more social services. This finding, though not anticipated, follows research indicating counties' social service role expanded under devolution (Benton 2002).

In Model 2, we take advantage of the first wave of the NACo survey to add two lagged policy variables, the number of social services and business attraction tools utilized in 2001. The latter variable is added to evaluate claims that a business-friendly economic development agenda

Table 5 • ***Local Social Safety Nets: Social Service Provisions***[a]

	Model 1 Number (2008)	*Model 2 Number (2008–2001)*	*Model 3 Policy Effort (2008)*	*Model 4 Policy Effort (2008–2001)*
Class politics: class actors and context				
Business influence	.332	.315	.144	.142
	(3.29)**	(2.40)*	(2.76)**	(2.05)*
Percent manufacturing labor force	−.013	−.017	−.005	−.002
	(−1.16)	(−1.17)	(−.91)	(−.26)
Percent Republican	−1.529	−1.273	.469	.514
	(−1.81)	(−1.17)	(1.12)	(.91)
Pro-business state climate	−.076	−.074	−.011	−.001
	(−2.57)*	(−2.52)*	(−.97)	(.09)
Confederate state	.198	−.068	−.030	−.139
	(.62)	(−.21)	(−.23)	(−.90)
Poverty rate	−.037	−.033	−.001	−.001
	(−1.76)	(−1.28)	(−.05)	(−.09)
Metro[b]	−.355	−.410	−.058	−.080
	(−1.53)	(−1.34)	(−.49)	(−.50)
Nonmetro adjacent[b]	−.034	−.097	.116	.080
	(−.19)	(−.40)	(1.22)	(.62)
Percent African American	.007	.002	−.008	−.002
	(.80)	(.19)	(−1.74)	(−.26)
Percent Latino	−.004	−.006	−.006	−.002
	(−.45)	(−.63)	(−1.45)	(−.35)
Unionized county employees	.011	.008	.003	.003
	(2.99)**	(1.62)	(1.73)	(1.07)
Political institutional attributes: local state capacity and pressures				
Government size	.326	.284	.188	.198
	(2.85)**	(1.78)	(3.28)**	(2.40)*
Staff, administrator/executive	.134	.296	.233	.329
	(.85)	(1.45)	(2.90)**	(3.08)**
Staff, grant writer	.575	.647	.234	.244
	(3.60)***	(3.07)**	(2.82)**	(2.19)*
State + federal/own-source revenue	.209	.273	−.129	−.265
	(.40)	(.42)	(−.51)	(−.80)
Service centralization	2.557	2.268	.932	.785
	(6.70)***	(4.61)***	(4.74)***	(3.02)**
Devolution-related fiscal pressure	.005	−.006	.002	.002
	(.16)	(−.15)	(.14)	(.05)
Welfare devolved	.616	.475	.391	.385
	(2.10)*	(1.70)	(3.51)***	(2.87)**
Competition, other governments	.302	.510	.035	.014
	(1.93)	(2.46)*	(.43)	(.13)
Local population attributes				
Percent college graduates	−.000	−.002	.013	.024
	(−.01)	(−.11)	(1.73)	(2.32)*
Percent population age > 65	−1.084	−1.751	−.891	.222
	(−.51)	(−.65)	(−.83)	(.16)
Population size (log)	−.150	−.049	.009	−.021
	(−1.38)	(−.32)	(.17)	(−.26)
Past policy responses				
Business attraction		.038		.049
		(.78)		(1.03)

(continued)

Table 5 • *Local Social Safety Nets: Social Service Provisions[a] (Continued)*

	Model 1 Number (2008)	*Model 2 Number (2008–2001)*	*Model 3 Policy Effort (2008)*	*Model 4 Policy Effort (2008–2001)*
Social service provision		.096 (2.92)**		.057 (2.17)*
Log-likelihood	8292.3	4832.2	6120.2	3621.4
Rho	.050	.020	.013	.007
N	1,756	1,025	1,756	1,025

Note: Numbers in parentheses are *t*-tests.
[a]Unstandardized coefficients from random-effects regression models with state-specific error terms.
[b]Comparison category for metro/nonmetro adjacent counties is remote rural (nonmetro, nonadjacent) counties.
*$p < .05$ **$p < .01$ ***$p < .001$ (two-tailed tests)

depresses social service activity. If so, this would suggest localities are directing efforts to business but abandoning their social safety nets, a concern long raised by researchers (Jenkins et al. 2006; Kantor 1995; Schram 2006). We find no evidence that such a trade-off is taking place. The number of social services provided in the past affects those provided in 2008, evidence of path dependency. A legacy of a stronger local social safety net offers greater resilience to the free-market assault, as would be suggested by Pierson (1994).

Models 3 and 4 present findings for the second variant of the dependent variable, change in efforts to increase social service provision in the prior five years. Of the variables derived from class-politics arguments, only the business sector is significantly related to effort. Weak public unions also tend to depress effort ($p < .10$). As was the case in Model 1, political institutional variables display more consistent relationships. Past social service efforts significantly influence future efforts. Past business attraction efforts do not reduce future social service efforts (Model 4), again challenging the view of a direct trade-off between business promotion and social welfare policies at the local level.

Privatization. The results for privatization are presented in Table 6. The proportion of county-government services outsourced to nongovernment contractors is shown in the first two models. In Model 1, variables measuring class politics are not significantly related to privatization, except for one: Republican-leaning counties are less likely, *not more likely* to rely on outsourcing. State capacity plays an important role in the adoption of outsourcing. Specifically, the size and administrative expertise of the local state's staff is related to a higher proportion of services outsourced. State capacity may increase outsourcing because it fosters service-delivery experimentation and allows better monitoring of contractors. Weaker service-centralization is related to greater outsourcing. A county having less monopoly control over local services may be in a weaker position to compete with private sector providers. Pressures in decentralized systems, including fiscal pressures and competition from other localities increase the proportion of services outsourced. These findings follow state-level studies noting that fiscal pressures can spur market-oriented policy (Jenkins et al. 2006; Zylan and Soule 2000).

Model 2 adds the proportion of privatized services in 2001. This coefficient is significant, indicating past rates of outsourcing influence future paths. Relationships for state capacity and pressures reported in Model 1 remain similar in direction. For class-politics variables there are a few shifts. Republican-voting remains in the negative direction but is no longer significant. Counties in Confederate states are less likely to rely on outsourcing. Counties with a larger African American population outsourced more of their recent services. Racial divisions may weaken support for local governments to provide more services in-house.

Table 6 (Models 3 and 4) presents results from mixed-effects logistic regression analyses for a privatization event, the decision to privatize *any* county service in the past five years. Consistent with expectations derived from class-politics arguments (Model 3), business influence significantly

Table 6 • *Privatization: Proportion of Services Outsourced and Likelihood of a Privatization Event*

	Model 1 Outsourced Services, Proportion[a] (2008)	*Model 2 Outsourced Services, Proportion[a] (2008–2001)*	*Model 3 Privatized Service[b] (2008)*	*Model 4 Privatized Service[b] (2008–2001)*
Class politics: class actors and context				
Business influence	.011	.004	.327	.307
	(1.30)	(.38)	(3.04)**	(2.22)*
Percent manufacturing labor force	−.001	−.001	−.003	−.004
	(−1.05)	(−1.10)	(−.27)	(−.27)
Percent Republican	−.139	−.106	−.527	1.166
	(−2.01)*	(−1.18)	(−.55)	(.93)
Pro-business state climate	−.003	−.002	−.051	−.063
	(−1.23)	(−.91)	(−2.03)*	(−2.05)*
Confederate state	−.033	−.058	.562	.733
	(−1.20)	(−2.04)*	(2.01)*	(2.21)*
Poverty rate	−.000	−.001	−.045	−.017
	(−.26)	(−.65)	(−1.68)	(−.52)
Metro[c]	.032	.037	.336	.075
	(1.72)	(1.48)	(1.21)	(.21)
Nonmetro adjacent[c]	.014	.036	.238	.070
	(.92)	(1.82)	(1.02)	(.24)
Percent African American	.001	.002	.017	.012
	(1.40)	(1.99)*	(1.80)	(.94)
Percent Latino	.000	.000	.010	.007
	(.27)	(.31)	(1.07)	(.60)
Unionized county employees	.000	.000	.012	.014
	(1.40)	(.73)	(3.19)**	(3.05)**
Political institutional attributes: local state capacity and pressures				
Government size	.021	.014	.434	.256
	(2.22)*	(1.05)	(3.43)**	(1.47)
Staff, administrator/executive	.032	.034	.591	.832
	(2.49)*	(2.08)*	(3.15)**	(3.43)**
Staff, grant writer	.006	.012	.190	.194
	(.47)	(.72)	(1.12)	(.88)
State + federal/own-source revenue	−.062	−.025	−.958	−.425
	(−1.46)	(−.47)	(−1.51)	(−.56)
Service centralization	−.111	−.113	−.835	−.712
	(−3.59)***	(−2.82)**	(−1.89)	(−1.29)
Devolution-related fiscal pressure	.008	.005	.186	.210
	(3.27)**	(1.46)	(4.72)***	(3.89)***
Welfare devolved	.004	−.007	.021	−.257
	(.15)	(−.29)	(.09)	(−.87)
Competition, other governments	.052	.053	.281	.356
	(4.10)***	(3.17)**	(1.68)	(1.64)
Local population attributes				
Percent college graduates	.000	.000	−.000	.015
	(.29)	(.00)	(−.03)	(.75)
Percent population age > 65	.176	.439	−4.073	−2.267
	(1.02)	(1.99)*	(−1.69)	(−.77)
Population size (log)	−.002	.007	−.359	−.230
	(−.27)	(.58)	(−2.86)**	(−1.33)

(continued)

Table 6 • *Privatization: Proportion of Services Outsourced and Likelihood of a Privatization Event (Continued)*

	Model 1 Outsourced Services, Proportion[a] (2008)	*Model 2 Outsourced Services, Proportion[a] (2008–2001)*	*Model 3 Privatized Service[b] (2008)*	*Model 4 Privatized Service[b] (2008–2001)*
Past policy responses				
Outsourced services		.085		
		(3.04)*		
Privatized service				.447
				(2.02)*
Log-likelihood	−27.5	43.0	−568.6	−339.4
Rho	.057	.039	.031	.022
N	1,756	1,025	1,756	1,025

Notes: In Models 1 and 2, numbers in parentheses are *t*-tests. In Models 3 and 4, numbers in parentheses are *z*-tests.
[a]Unstandardized coefficients from random-effects regression models with state-specific error terms.
[b]Unstandardized coefficients from random-effects logistic regression models with state-specific error terms.
[c]Comparison category for metro/nonmetro adjacent counties is remote rural (nonmetro, nonadjacent) counties.
$*p < .05$ $**p < .01$ $***p < .001$ (two-tailed tests)

increases the likelihood of a privatization event. Public sector unions are also related to privatization. While not consistent with class-politics views, this relationship follows empirical work indicating unionized governments must protect core-labor union contracts and face competitive disadvantages from private employers using lower-wage/low-benefit labor. These factors may pressure unionized governments toward outsourcing to meet local service needs. Political-ideological context variables display two contrasting findings. Counties in Confederate states are more likely to privatize a service. Although the outsourcing rate overall is lower in the old South, this suggests counties in the region are moving toward privatization at a more rapid pace. The likelihood of a privatization event also is greater in less pro-business climate states. This finding challenges simplistic views that localities march in step with state-level policy climate. We find that state capacity (i.e., size and administrator/executive) as well as devolution pressures are related to privatization, findings similar to those in the models for services outsourced. Model 4 includes the 2001 policy response variable. Counties privatizing a service in the past are more likely to have a future privatization event.

Discussion

In summarizing the findings, we emphasize the importance of understanding them in light of the data and methods. We follow the established survey method of collecting policy-related data when secondary data do not exist (Clark 2000). This data collection method provides a broad inventory of public policies across many governments but it has limitations as discussed earlier. The information provided relies on administrators' reports and it is limited in detail. These data do not include information about service quality or policy effectiveness.[16] Data were collected at the onset of the recession. These limitations should be kept in mind when considering the implications of this study.

16. Following most sociological studies of states' policies, governments are our unit of analysis. One reviewer raised interesting questions about local versus national officials. Are local officials less influenced by partisanship? Examples that this may be the case are given by Peterson (1981) and Pierson (1994). They note local officials are most concerned with community economic well-being and partisan politics has much less influence on their behavior. Are local officials more responsive to service demands than state/ federal officials because of proximity to constituents? This is the major reason proponents of decentralization give for why decentralized federalist systems are beneficial; it remains a political and philosophical debate. In terms of public perceptions, Pew (2013) surveys find far more positive public approval ratings consistently over the years for U.S. local governments as compared to federal and to a lesser degree, state governments.

By extending the class politics and political institutional approaches downward across localities, we find both frameworks offer explanatory insights. The class-politics approach emphasizes the importance of class and race in policy formulation. We find that business influence and the African American population are positively related to business attraction policies and, to a lesser degree, privatization. While the business power and community development literatures tend to see business influence as resulting in weaker social service provision, Hacker and Pierson (2002) provide reasons why this relationship needs greater interrogation. Our findings suggest that local governments are not deterred by the business sector from providing social services. Further, the sectors most directly influencing county governments may benefit from local social services, which could serve as a wage supplement and strengthen the consumer base, a relationship noted anecdotally in the case of low-wage retailers (Goetz and Swaminathan 2006).

Our analyses call attention to an understudied issue—public sector unions at the local level. We find these unions have differential effects. Local public sector unions are associated with greater business attraction, suggesting they support local growth coalitions (Logan and Molotch 1987). They influence social service provision in a progressive manner, consistent with expectations from the welfare-states literature. They are also associated with a shift towards privatization. Efforts to protect union contracts are thought to increase outsourcing.

This study provides mixed support for class politics arguments pertaining to the political-ideological context. For example, counties in pro-business states and the former Confederate South and Republican-leaning counties do not consistently follow market-oriented policies. That local governments do not necessarily march in step with state-level or other external contexts corresponds to recent literature on state rescaling (Brenner 2004). As nations decentralize in a neoliberal era, local governments gain greater autonomy and their fiscal and administrative capacity become more (not less) important to policy variation relative to the external context that surrounds them.

Turning to political institutional arguments, our study finds a great deal of support for explanatory factors from this approach. Counties with greater administrative capacity—as indicated by larger size, centralized leadership, and professional staff—are more protective of local social services. At the same time, high capacity governments engage in greater business attraction and to some extent, outsourcing. Pressures from governing in the U.S. Federalist system, notably fiscal pressures from state/federal governments and competition with other governments also are related to privatization and business attraction. Finally, we find support for the role of path dependency. While national studies of the welfare state have established the importance of past policy process, our study is one of the first to document this at the scale of local governments across the United States.

Conclusions

To date, most sociological studies of welfare states and neoliberal policy shifts have focused on the nation-state. From this lens, the United States often appears to have embraced a market-oriented shift that moves in an unbridled manner across the nation, leaving "no alternative" much like Margaret Thatcher predicted.

In this study, we provide a new view of the market assault by digging downward across localities. We examine how the local state formulates policies and programs aimed at public well-being, the poor, and business interests. As Amenta and Halfmann (2000) point out, social scientists have been quick to conclude that free-market policies are widely embraced and the welfare state is rapidly shrinking. This leads to downplaying how and why there has been resilience. Our research lends support to this critique. In doing so, our study finds a surprising degree of stability in the welfare state at the local level across the United States. We provide reasons for why and where this occurs.

Overall our study challenges the conventional view that localities are implementing a package of policies that rollback the scope of the local state. When comparing business attraction, social service delivery, and privatization in 2008 to 2001 we did *not* find that localities are moving toward a wider embrace of market-oriented policies. Furthermore, we did *not* find evidence that localities more highly engaged in business attraction are likely to reduce their scope of social services (Peterson 1995). This is an important contribution; it calls into question the assumption that local governments are choosing growth over redistribution, a path particularly detrimental to the poor.

Looking downward across localities thus provides a less pessimistic lens on the welfare state. By and large, market-oriented shifts are not extinguishing the nations' local social safety nets nor leading to rampant privatization of public services. Free-market policy adoption, however, does appear to be uneven across policy domains, a point increasingly stressed in national-level research (Prasad 2006). Use of business attraction appears to most follow neoliberal directions. Economic need no longer drives these policies. Localities across the board are under pressure to pursue these policies despite scant evidence they create jobs and improve long-term well-being (Reese and Rosenfeld 2002). Governments having greater administrative capacity and a larger unionized workforce pursue these policies to an even greater degree.

For researchers concerned with social policy and economic development policy, this study confirms calls for the importance of studying both and the interplay between them (Jenkins et al. 2006; Prasad 2006). Analyzing both sets of policies, we provide evidence that it is time to rethink the assumption that local governments' pro-business efforts depress the scope of their social service delivery (Kantor 1995; Peterson 1981). Even though the local state has become more entrepreneurial (Eisinger 1988), our study suggests its contribution to the social safety net appears relatively resilient in our period of analysis.

Theoretically, we develop explanatory arguments by extending class politics and political institutional approaches from the national to the local levels. We see these theoretical approaches as complementary (as opposed to mutually exclusive and contradictory), a position scholars have likewise taken in national studies of neoliberalism (Orloff 2005). The class-politics approach emphasizes the importance of class and race (Hicks 1999; Huber and Stephens 2001; Quadagno 1992, 1994) and the power of the business community, especially elites (Domhoff 2010; Hacker and Pierson 2002). Among the class-politics forces analyzed in our study, business and public sector unions have important effects on the use of market-oriented policies. Sociologists have given comparatively little attention to local public sector unions and national information is hard come by. Studying local public sector unions is especially critical as they have directly confronted the neoliberal assault, facing daunting challenges in protecting public jobs and social services. Recent political attacks on public sector unions in Ohio, Wisconsin, and other states highlight these challenges (Krugman 2012).

At the national level, state capacity and path dependency help to explain resilience of welfare states despite powerful challenges to social welfare efforts (Pierson 1994; Starke 2006). We find support for this line of reasoning at the county level. Where capacity is greater, local bureaucracies have greater ability to pursue their own distinct agendas. Counties with greater administrative capacity are more protective of the local social safety net, the broader neoliberal political-ideological context notwithstanding. Past social welfare efforts also contribute to resilience. Past policies tend to persist and become built into operations, even if conditions that initially spurred them change or disappear. Peter Starke (2006) observes that despite rhetoric to the contrary, the legacy of support for public service provision remains strong and citizens react strongly to service losses. In recent years, there have been growing examples of county governments that have stepped up to protect the local social saftey net and actively resisted the agendas proposed by their austerity-minded state governments.[17]

While this study sheds new light on dynamics of local states, it also poses important questions for future research. Hacker (2005) points out that despite the persistence of social policies and

17. For example, county officials in Texas expressed opposition to Governor Rick Perry's refusal to adhere to provisions in the Affordable Care Act that affect counties' ability to provide for the medically uninsured (Fernandez 2012) and Florida counties have passed ordinances to make it easier for workers to recover unpaid wages because the state has failed to protect workers (Alvarez 2013).

programs at similar levels, the effectiveness of national welfare states to ensure public well-being may deteriorate if economic inequality and employment insecurity rise markedly, as has been occurring in many nations, including the United States. There is every reason to believe that Hacker's reasoning applies at the subnational level. Future research should assess the degree to which local states' policy efforts result in widely varying impacts on public well-being, leaving people highly vulnerable in some settings and providing significant buffering in others.

With prior research focused primarily on the national-state, scholars have tended to take Keynesian-era governance as the point of reference then document the market assault on nations' programs and policies. Local governments are assumed to move in tandem, or in some accounts, become even more committed to neoliberal policy approaches. Our study challenges the conventional view on two counts: (1) we do not find that neoliberal policy has been uniformly ascendant across the United States; and (2) we do not find that local states systematically prioritize business goals and retreat from programs promoting human welfare. Instead, we provide evidence that resilience better characterizes the policy path of localities and the capacity of the local state plays an important role in explaining this resilience.

Appendix

Our focus is the choice of market-oriented policy rather than spending on policy once it has been chosen. The Census of Governments is the only public source of local government spending across the nation and it is conducted every five years. The Census reports total spending by local governments for different categories of programs (e.g. social services, public safety, and public utilities). It does not produce spending data on specific programs nor provide the number of recipients. Spending is reported only as the dollar amount the local government outlays; the source of these expenditures is not reported. *Total* local own-source revenues and spending are reported, however. Based on these data, studies have found that total local own-source spending does not consistently rise or fall based on changes in state and federal funds; sometimes the effects are complementary, sometimes compensatory (Warner and Pratt 2005). To assess whether local social service spending was cut, we use the Census of Governments Finance's categories for general social services (welfare, health, and hospitals), which is relatively compatible with our study's social services measure. Data were extracted for the 1,756 counties used in this study for the three Censuses a priori in time. Figures were deflated using constant 2013 dollars and divided by the county population for that year. The average per capita social services expenditures by the county governments included in our study are as follows: census year 1997 $146; census year 2002 $153; census year 2007 $168. The results provide little evidence of direct cuts over the time period of our study.

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