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John J. Carroll

University of Massachusetts - Dartmouth

William E. Hudson

Providence College

Mark S. Hyde

Providence College

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The Entrepreneurial State Goes to Europe

State Economic Policies and Europe 1992

*John J. Carroll
William E. Hudson
Mark S. Hyde*

This article investigates state-level export programs in response to the emerging new economic and political regime of Europe 1992. Little related export promotion activity is found, even in states reputed to have the most active entrepreneurial policies. The authors conclude that states have few resources to invest in export promotion and are inappropriate jurisdictions around which to organize such policy, despite the much touted "entrepreneurial state."

There has been considerable excitement in scholarly circles over the economic development role that some states are exploring. This active new role, which Peter Eisinger¹ has labeled the "entrepreneurial state," is being widely discussed, and considerable attention has been given to the various strategies states might use to make American industry more competitive at home and, especially, abroad. The scholarly literature on these innovative approaches has penetrated political circles to the extent that both "entrepreneurial government" and David Osborne's work² were cited by Massachusetts Governor William Weld in his 1991 inaugural address as providing models for his administration. Among those innovations, special emphasis has been placed on export promotion as a means of moving beyond the domestic market for goods and services.

The purpose of this article is to sound a note of caution about the entrepreneurial state and the state export policies that are thought to characterize it. The extensiveness and effectiveness of state export efforts have thus far been minimal, and the fiscal constraints under which states operate make it unlikely that these programs will be substantially expanded. Furthermore, we do not believe that a workable export policy can be organized and implemented by even the largest of the states operating alone or by regional groups of states operating through loosely structured interstate compacts such as the various governors' conferences.

John J. Carroll is professor of political science, University of Massachusetts Dartmouth, and visiting professor of political science, University of Hyderabad, India. William E. Hudson is professor of political science, Providence College. Mark S. Hyde is professor of political science, Providence College.

Entrepreneurial trade policies, if they are to be effective, require coordination, funding, and policy leadership by the national government, where the legal and constitutional responsibilities to design and implement trade policy are located. In the absence of federal leadership over the past few years, it is clear that some states have introduced economic development strategies aimed at foreign as well as domestic markets, but it is equally clear that these programs are unsubstantial as judged by staffing levels and potential impact.

While some American states were reorienting their economic development strategies to promote increased foreign trade, members of the European Economic Community (EEC) were adopting profound reforms in their relationships, which will affect American access to their markets. Established in the 1950s by six European states to promote European political and economic integration in Europe, the EEC in the early 1980s fell far short of the expectations of its original founders. Although as early as the mid-1960s the community had created a customs union among members, the purpose of which was to eliminate formal tariff barriers to trade, it was far from achieving the free movement of goods, services, and people among its present twelve members, which was the original goal of the Treaty of Rome, the EEC founding document.³

Differences in regulations and product standards, national subsidies, limits on capital movements, and extensive border controls were substantial barriers to a unified market. The political goals of the Rome treaty were even further from realization than the economic ones. National states in the EEC did not coordinate their foreign policies and, except in agriculture, had made little progress in coordinating their domestic economic policies. In 1985 EEC leaders made two fundamental commitments to alter this situation. First, they approved an amendment to the Treaty of Rome — the Single European Act — to change decision-making processes in order to facilitate greater political integration. Second, they set a deadline, December 31, 1992, for completing a true unified market in Europe and approved a specific list of barriers to trade to be eliminated by the deadline.

The Single European Act and the 1992 unified market program themselves represent a profound acceleration of European integration, but in December 1991, EEC heads of government negotiated a plan to tie the community together even more closely than envisioned in these initiatives. At their biannual meeting of the European Council, they signed the Maastricht agreement — named for the city where it was done. The agreement provided for closer political cooperation leading to a single European currency, including a European central bank, Eurofed, and a single currency, the ECU. If all member states ratify it, the Maastricht treaty will make the community a fully integrated economic power early in the next century.⁴ To the chagrin of advocates of greater European integration, several events have put ultimate ratification of the Maastricht treaty in jeopardy.

The Danes rejected the treaty in a June 1992 referendum, raising questions about the degree of European public support for greater integration. Although the Irish later approved their referendum on the Maastricht, and the French, on September 20, narrowly passed theirs, the Danish defeat and new uncertainties about public support will require a renegotiation of the agreement before it can be implemented.⁵ English withdrawal on September 16 from the European Exchange Rate Mechanism — precursor to eventual monetary union — compounds concerns about the feasibility of rapid adoption of a common currency.⁶ Although at this writing the ultimate fate of

the Maastricht agreement is uncertain, it is likely the road to monetary union and greater political cooperation will not be as short or as smooth as envisioned in Maastricht.

While Europeans have been preoccupied with the grander and even tighter union envisioned in the Maastricht treaty, the already substantial program to create a unified market went into effect on schedule on December 31, 1992. The goals of such a market, agreed to in 1985, will be achieved even if there are substantial delays and modifications to Maastricht. With or without monetary and political union, the 1992 European internal market program presents enormous opportunities, as well as hazards, to American states and their entrepreneurial visions.

Even if Maastricht is not ratified, the 1992 initiative itself will restructure the ground rules for trade within the European community and between Europe and the rest of the world. These changes will eliminate the remaining nontariff trade barriers that restrict the free movement of goods, services, and people among the twelve member nations. The 1992 program, no matter what happens to the plans for monetary union, lays the groundwork for the emergence of a new European economic superpower of 350 million consumers, perhaps the most prosperous free market in the world. American businesses, like all world business, will need access to this market if they are fully to develop their export potential.

If reports of a shift by states to entrepreneurial export policies are correct, one would expect them to respond to the emergence of this potential European superpower.⁷ Four of America's top nine export markets are within the European Economic Community: the United Kingdom (\$18.4 billion), West Germany (\$14.3 billion), France (\$10.1 billion), and the Netherlands (\$10.1 billion); the value of 1988 U.S. exports to the EEC nations was \$75.6 billion.⁸ Judging from their speeches, many of the nation's governors have been highly aware of the importance of foreign trade and the European markets for their states' economic health. The comments of Governor Weld of Massachusetts are typical. He told the 1990 New England Governors Conference that "international trade is not, by any means, an immediate solution to our economic situation, but it is a solution — and it is a good long-term solution. . . . Today, almost 70 percent of [Massachusetts] companies do not export a single product. I'd like to see that figure change." And Governor William O'Neill of Connecticut stated that "maintaining [our] competitive edge . . . forces us to keep a constant vigil on world economic developments. Without question, the biggest economic events of the next decade will take place in Eastern and Western Europe."

By themselves, the states have been able to launch a number of small and often well-designed programs, but the impact of these programs on state economies has been and will continue to be minimal. We argue that given the states' limited autonomy and resources, they can only hope to support small-scale export development programs. Substantial expansion of exports from the states will depend more on federal policy and leadership.

Our review of state policies developed in response to 1992, based on our survey of the states, will find a broad awareness of the importance of the emerging Europe, but little concrete action. In this report, we explore the states' responses to developments in Europe, for an entrepreneurial state would surely need to take the prospect of this economic colossus into account in its export policy. In conclusion, we speculate on the implications of our findings for the possibility of the entrepreneurial state and the efficacy of export policy at the state level.

The Entrepreneurial State

The idea of the entrepreneurial state is both descriptive of the new orientation toward economic development and evocative of a new dynamism at the state level. As a descriptive term, it tracks the movement from the business-climate-centered policies of the 1970s to emphasis on the creation of new capital in the 1980s. In the seventies, most states attempted to create attractive business climates through reductions in corporate taxes, reforms of workers' compensation policies, and enactment of specific investment incentives.

Economic development professionals were expected to be "smokestack chasers" — identifying potential businesses to attract, devising appealing investment packages, and advertising in business publications. The policies of the entrepreneurial state imply an entirely new style of government intervention, which seeks to develop new markets, products, production methods, and technologies. The entrepreneurial emphasis is on expanding markets through the export of goods and services and the creation of new industries and products through business-university partnerships, the infusion of capital, and state sponsorship of research "greenhouses."⁹

As an evocative term, the entrepreneurial state suggests active management and direction of the economy in the mode of the "strong states" of Europe and Japan, rather than the traditionally "weak" model associated with the United States. Eisinger believes that the entrepreneurial state, like private entrepreneurs, is a dynamic economic player that expands market share by finding new markets for old products and by creating new markets through the production of new products. The state

seeks to identify market opportunities not for its own exclusive gain but on behalf of private actors whose pursuit of those opportunities may serve public ends. . . . [Its] role is to identify, evaluate, anticipate, and even help to develop and create those markets for private producers to exploit, aided if necessary by government as subsidizer or coinvestor.¹⁰

Used this way, the term "entrepreneurial state" carries the implication that such activities are, or are likely to be, a major policy commitment for the states and that state policies can produce the industrial adjustments to make the United States competitive internationally. This view implies that the states will take responsibility for economic development policy, relieving the national government of some of its obligations. As an optimistic President George Bush told the National Governors Association, governors "are becoming our economic envoys . . . restoring American international competitiveness and expanding world markets for American goods and services."¹¹ In our view, these arguments grossly overestimate the capacity of the states to undertake export policies.

Export promotion programs are thought to be archetypal of the new entrepreneurial approach. These policies are characterized by efforts to stimulate new demand for existing or new products in foreign markets. Proponents of state export promotion believe this is an area in which state intervention might make a difference. According to most observers, despite increasing U.S. export activity in the 1980s, there remains much untapped potential.¹² While we share the view that the export potential is great, we argue that the states alone will not be able to tap that potential; substantial federal initiative is needed.

Entrepreneurial States and Europe 1992

The European 1992 initiative is stimulating a complete restructuring of the business environment on the Continent. One characteristic of Europe 1992, not often emphasized in American reports, is its probusiness, neoliberal, as opposed to social democratic, character.¹³ The internal market program focuses completely on changes in the European marketplace to facilitate economic, that is, business, growth. The elimination of internal trade barriers is supposed to stimulate the ability of business to compete both within Europe and with the rest of the world.

Social democratic leaders, like French President François Mitterrand, embrace this program because they saw the economic stagnation of the 1970s threatening European welfare states, which can exist only on a foundation of economic prosperity. Measures to make business more competitive internationally are viewed as a prerequisite for continuation of improvements in the European standard of living and an equal distribution of prosperity. The probusiness character of 1992 is consistent as well with the evolution of economic policies in individual European countries in the 1980s, even those of socialist governments.¹⁴

The decade has seen a shift toward privatization and market-oriented policies in all countries. Cognizant of this trend and the promise of 1992, European business has been strongly supportive. Business people believe a unified market will bring opportunities for growth and profits. In contrast to the slow and hesitant reaction of European labor, European business has worked actively — and largely successfully — to prevent the enactment of regulations they view as harmful.¹⁵

Post-1992 Europe is expected to be an economic colossus and a good place to do business. The new European order is expected to affect international trade, American businesses, and state government policies in a number of concrete ways:¹⁶

- After 1992, a firm will need a presence in only one European country and meet only one set of product standards in order to sell in all twelve EEC countries. One would expect an entrepreneurial state to develop a variety of programs to take advantage of the 1992 opportunities to promote state exports.
- Many observers believe that the new Europe will expect reciprocity in laws and regulations if it is to freely allow American investment and exports. This poses a challenge to purchasing laws in some states, which require state and local governments to buy only American or locally produced products. If American business wishes to bid on European government purchases, states may have to repeal such laws.¹⁷
- A similar problem exists in the area of financial services. Under EEC regulations, banks in Europe will be able to engage in such practices as establishing branches in other countries and selling securities, which are restricted under U.S. federal and state banking laws. Relief for European financial institutions from these restrictions may be required if the EEC is to permit U.S. banks in Europe.¹⁸
- Europe 1992 will complicate state efforts to attract and retain business investment. Europe's appeal as an export market will be matched by its attractiveness as an investment location. Rather than export locally produced products, businesses may opt to set up joint ventures or their own production facilities in

Europe. Foreign capital will be more difficult to attract to the United States as investors like the Japanese shift their investments to Europe.¹⁹

- The heterogeneity of American state regulations and tax laws will reduce the overall U.S. competitive position as Europe provides a more homogeneous business environment. Some experts warn that American states must limit interstate tax variation, develop common definitions of taxable bases, and pass uniform regulations, for example, for the trucking industry, if they want to compete for international capital.²⁰
- Many trade issues exist between the United States and Europe, which could pose problems for the entrepreneurial state. These are especially severe in agriculture, where both the United States and Europe have provided a complex array of subsidies. In manufacturing, European proposals for “local content” or “rule of origin” requirements, which mandate that a certain percentage of parts in products assembled in Europe be produced in Europe, will interfere with exports from many states.²¹

Given the opportunities and challenges of the Europe 1992 deadline, how are the states preparing to respond? To answer this question, we concentrated on sixteen states with the most active and innovative economic development programs. These are the fourteen states that Gray and Lowry²² identify as industrial policy activists, plus two additional states from their “moderate” category,²³ which are frequently cited as industrial policy innovators in the anecdotal literature. Gray and Lowry rank the states on a five-point index of industrial policy activism depending on how many of four targeted incentive programs they have adopted.²⁴

We do not make a careful distinction between the terms “entrepreneurial state” and “industrial policy,” because they refer to essentially the same set of phenomena. Although the term lacks precise definition, “industrial policy” refers to a comprehensive set of economic development policies designed by government to restructure the industrial base. The term “entrepreneurial state” is used to emphasize the high level of governmental activism that “demand-side” industrial policies require. For this reason, the entrepreneurial states cited by Eisinger and Osborne comprise virtually the same cluster of states that Gray and Lowry identify as active industrial policy states.

We used a mail survey, with follow-up telephone interviews in some states, to ask international trade directors how their states were responding. We also conducted personal interviews with several international trade specialists in New England. Table 1 summarizes the 1992 related activities reported in the sixteen entrepreneurial states. The most interesting finding is that six states reported no special activities related to Europe 1992. In one case, Montana, the state was simply disinterested: Montana promotes exports only to the Far East. However, the other five states all maintain at least one office in Europe and report continued interest in exporting to the Continent. Some of the disinterested states expressed awareness that the 1992 deadline was approaching, but saw no need for special activity. For a third of our entrepreneurial states, the prospect of a major change in the international economic environment stimulated no special activity at all.

Table 1

Industrial Policy States and Europe 1992

| State | No 1992 Activity | Specific 1992 Program | Specific 1992 Publications | 1992 Seminars or Conferences |
|---------------|------------------|-----------------------|----------------------------|------------------------------|
| California | — | — | X | — |
| Connecticut | — | — | X | X |
| Illinois | — | — | X | X |
| Indiana | X | — | — | — |
| Maryland | — | X | X | — |
| Massachusetts | — | — | — | — |
| Michigan | — | — | — | — |
| Mississippi | X | — | — | — |
| Missouri | — | — | — | — |
| Montana | X | — | — | — |
| New Jersey | — | — | X | — |
| New York | — | X | — | — |
| Ohio | X | — | — | — |
| Pennsylvania | X | — | — | — |
| Rhode Island | — | X | X | — |
| Wisconsin | X | — | — | — |

| State | Added Trade Activity | Special 1992 Counselors | Upgrade EEC Offices | No. European Offices |
|---------------|----------------------|-------------------------|---------------------|----------------------|
| California | X | — | X | 2 |
| Connecticut | — | — | — | 1 |
| Illinois | — | — | X | 1 |
| Indiana | — | — | — | 2 |
| Maryland | X | X | X | 1 |
| Massachusetts | X | — | — | 0 |
| Michigan | — | — | — | 1 |
| Mississippi | — | — | — | 1 |
| Missouri | — | — | X | 1 |
| Montana | — | — | — | 0 |
| New Jersey | — | — | — | 0 |
| New York | — | — | X | 2 |
| Ohio | — | — | — | 1 |
| Pennsylvania | — | — | — | 2 |
| Rhode Island | — | — | — | 1 |
| Wisconsin | — | — | — | 1 |

Source: Mail/phone survey of international trade directors.

Ten of the entrepreneurial states report some effort to take the new Europe into account, but even here the level of activity is low. Most concentrate on disseminating information about the event, leaving their business communities to react as they see fit. Five of the states have issued publications describing 1992, and three have sponsored conferences or seminars. Two of the publications (prepared by outside consultants) are quite elaborate and provide sophisticated analyses of 1992 and its implications for American business.²⁵ However, neither state reports following up these publications with targeted activities or programs. Three of the states added European trade shows to their calendars partly because of interest in 1992, and five have upgraded their European offices. California added a second office in Frankfurt to take advantage of an expected increase in European export opportunities.

Only three of the states, Rhode Island, New York, and Maryland, reported initiating a special program focused on Europe 1992 as a vehicle for promoting exports. The Rhode Island 1992 Commission kicked off its effort with a major conference on European integration in May 1990. Attended by representatives from about three hundred Rhode Island businesses, the conference introduced the 1992 Commission, a creation of the lieutenant governor and the head of the U.S. branch of a British multinational, and offered a number of seminars on the implications of 1992 for Rhode Island firms. In the following year, the commission met only once, and the centerpiece of its program, a mentoring program matching large companies with expertise in European exporting with small and medium-size firms, was not implemented. So far, Rhode Island's Europe 1992 program has had a false start. The New York program consists of dissemination of information about the European Economic Community and what it means for New York businesses.

Only one of the entrepreneurial states has actually launched a major program to take advantage of Europe 1992. Maryland's Opportunity '92 integrates informational seminars, European trade shows, and business counseling into a single program, which includes financial assistance to businesses to attend trade fairs. According to the brochure describing it, the program is intended "to make the Port of Baltimore a major gateway to the EC." With the possible exception of Maryland, the expectation that a major event in the international political economy, like Europe 1992, would produce a significant response in the entrepreneurial states has been disappointed.

The Entrepreneurial State?

None of the fifty states — and the entrepreneurial states are no exception — have found more than token resources to commit to their export policies. In the 1980s most states developed a range of programs to support the governor's foreign marketing efforts. All fifty states employ "international trade directors" in their economic development offices, although many combine their international trade activities with other duties. All but seven of the fifty maintain at least one overseas office, and most have several. However, all these programs, including those in the sixteen entrepreneurial states, are grossly understaffed. Of the tens of thousands of state workers in each state, few are employed in export programs; exports remain a low investment priority despite the relatively high visibility given them by their governors.

In the entrepreneurial states, the average professional staff charged with implementing state export policies consists of only nine persons, slightly better than the average of six professionals in the other states. The foreign office staffs, developers of trade shows and export leads, average only three persons in the entrepreneurial states and two in the others (see Table 2). The Rhode Island effort is typical: its European office employs one professional staffer and part-time clerical help.

The most popular activities in the states are also those which require a modest investment: seminars and conferences, dissemination of World Trade Center and Commerce Department sales leads, trade shows, and missions (see Table 1). One-on-one counseling involves more extensive resource investments, but these activities are usually rationed because of limited funding.²⁶ The international trade specialists we talked to in New England emphasized that counseling was among the most important services they could provide, but also the most costly. They were acutely aware that

their resources permitted helping only a small number of businesses that could benefit from their services.²⁷ Only seven of the fifty states have established export finance programs, a more extensive commitment of resources.²⁸ Like entrepreneurial policies in general, a great deal of export-related activity seems to be taking place in the states, but the reality is considerably less than the appearance.

Table 2

Export Efforts of Industrial Policy and All Other States

| States ^a | High Industrial Policy States ^a | All Other States ^b |
|---|--|-------------------------------|
| Mean number of professionals on staff | 9.03 | 5.81 |
| Mean number of seminars per year | 22.57 | 15.36 |
| Mean number of staff in foreign offices | 2.93 | 1.87 |

Source: Data are from 1988 State Export Program Database of the National Association of State Development Agencies.

^aExcept for Wisconsin, which was missing from the NASDA data, these are the states listed in Table 1.

^bWashington, West Virginia, and Wyoming are missing from the NASDA data.

It is not surprising that the states are responding to Europe 1992 mainly by publishing brochures. The reacting states have made little response to the European initiative partly because they lack the resources to enter in a meaningful way. Certainly the effects of the 1990–1991 recession demonstrate the vulnerability of the states to national economic forces and to fiscal crises. More than half the fifty states ran deficits toward the end of the 1991 fiscal year,²⁹ as they continued to be squeezed by federal preemption of state revenue sources, the cost of federally mandated programs to the states, reductions in federal grants-in-aid, and soaring costs, particularly for medical benefits for state employees and persons on relief.

Given the hard fiscal realities faced by the states, twenty-nine of which laid off or furloughed workers and froze hiring in mid-1991,³⁰ their resources continue to be directed to their traditional responsibilities in education, public safety, maintenance of infrastructure, health, and the like. The devastating impact of the recession on the fiscal stability of California, New York, New Jersey, Michigan, Massachusetts, Connecticut, Pennsylvania, and Rhode Island, all entrepreneurial states, underlines a fundamental limitation to state policy: it cannot offset regional economic forces and the national economy, although this is a frequent justification for state industrial policies. Nor can state-level policies counteract national decisions on monetary, revenue, fiscal, banking, and interest policies, which affect the industrial structure. The interaction of state economies with national economic forces and policies provides a practical limit to what entrepreneurial states can do to promote their own economies.

Even if the states had discretionary resources to invest, we believe that they would be inappropriate jurisdictions around which to initiate export policy. Reflection on the major challenges Europe poses for American exports underscores this reality: they fall mainly under the responsibility of the national government. The states, for example, have no power to negotiate “rule of origin” requirements with the European Community. The reform of banking laws to assure reciprocity in financial services requires the revision of federal statutes like the McFadden and Glass-Steagall acts.

Even changes in state regulations and tax laws to establish greater homogeneity in the American market would require collective action on the part of the states. It is unlikely such action could be achieved among the fifty states without concerted national leadership from the president and Congress. What needs to be done to respond to Europe 1992 simply cannot be accomplished by the states alone.

Citizens have held state officials responsible for doing something, even though limitations of constitutional structure and finances prevent meaningful action. The response has been entrepreneurial activity that is largely symbolic and at most marginal in its impact on industrial adjustment.³¹ This becomes clearer if we look at the export promotion activities of California, which has one of the more sophisticated and extensive export promotion programs in the nation. With a professional staff of about sixteen people and an annual budget of more than \$10 million, the office is among the five largest trade agencies in the country. In 1989 total California exports equaled \$43.4 billion, a figure the California State World Trade Commission seeks to enhance. The agency's own estimate of its impact, \$500 million in "preserved or created" export sales over a six-year period, constitutes only one percent of total export sales in one year. Its largest-in-the-nation export finance program supported about \$100 million in sales in 1990, approximately 0.2 percent of 1989 exports. Although the entrepreneurial state seems active in California, its impact has not been great.

As the response to 1992 shows, the entrepreneurial state feels compelled in some way to react to highly publicized world events. Meanwhile, the key determination of the extent and terms of American access to the new Europe of the 1990s is up to the national government to negotiate. The outcome of the General Agreement on Tariffs and Trade (GATT) Uruguay round³² or the value of the dollar against European currencies will have much more to do with the volume of exports of businesses in Massachusetts, Rhode Island, and Michigan than any 1992 state economic development program. The rise of the entrepreneurial state does represent an interesting phenomenon in state government in the last decade, but it is more a symbolic response by state officials to the need for industrial adjustment to international competitiveness than an adequate solution to the problem.

There is a need for the infusion of reality into the discussion of the entrepreneurial state and its activities. There is a role for states in economic development and in export policy as well, but that role is not the design, support, and implementation of programs on a scale that can produce a measurable impact on state economies. The states are well situated to reach the small and middle-size private firms that lack the expertise or initiative to enter the export market yet could fill an important role in the implementation of federally initiated and supported programs. A few of the states have already built potentially workable small-scale models, such as the Export Assistance Center in Rhode Island, which might provide ideas around which to structure workable national programs. Governors might do well to press the federal government to supply what they cannot: a coordinated export policy built on international leverage and national leadership. ♣

Notes

1. Peter Eisinger, *The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States* (Madison: University of Wisconsin Press, 1988).
2. David Osborne, *Laboratories of Democracy* (Boston: Harvard Business School, 1988).
3. For an account of the evolution of the EEC, see Stephen George, *Politics and Policy in the European Community* (New York: Oxford University Press, 1991). For more details on the 1980s movement to greater integration, see Alberta M. Sbragia, *Euro-Politics: Institutions and Policymaking in the "New" European Community* (Washington, D.C.: Brookings Institution, 1992).
4. "West Europeans Gather to Seek a Tighter Union," *New York Times*, December 9, 1991, A-1.
5. "Europe's Future Hangs on the French Voter's Whim," *New York Times*, September 13, 1992, E-5.
6. "Europe's Currency System Shaken as Britain Cuts Free," *New York Times*, September 17, 1992, A-2. Facing strong criticism from "Eurosceptics" in his own conservative party, British Prime Minister John Major, acting in his capacity as rotating president of the EEC, called the other European government heads to an emergency meeting in Birmingham, England, on October 16, 1992, to discuss the new hesitations regarding Maastricht. At the meeting, the European leaders reaffirmed their commitment to the treaty but emphasized the importance of "respecting the interests and diversity of member states." "European Leaders Renew Unity Vow in Face of Strains," *New York Times*, October 17, 1992, 1. For Tory split, see "Echoes of Splits Past," *The Economist*, October 10, 1992, 74. While Major met with European leaders in Birmingham, his government lowered interest rates in an attempt to stimulate the stagnant British economy, a measure that encouraged the continuing decline of the pound against other European currencies. This development underscored the continuing economic differences within Europe, which must be overcome if the goals of Maastricht are to be achieved. "British Interest Rate Cut Exposes European Rift," *New York Times*, October 17, 1992, 4.

In spite of the hesitations about the Maastricht treaty, the European Council, at its December 1992 meeting in Edinburgh, approved amendments to allow Denmark a new vote on the treaty, scheduled for later this year. Meanwhile, the ratification process is on track in the other eleven member states. As to the single-market program, it is being implemented. See Axel Krause, "The Single Market Takes Off," *Europe*, February 1993, 19–22, and "A Rough Year," *The Economist*, December 19, 1992, 19–21.

7. Our data on state reaction to the 1992 program, which was collected prior to the signing of the Maastricht agreement, focused solely on state reaction to the 1992 program. Therefore, our analysis is completely unaffected by uncertainties about Maastricht.
8. Bureau of the Census, *Statistical Abstract of the United States: 1990*, 110th ed. (Washington, D.C.: U.S. Government Printing Office, 1990), 806–809.
9. Eisinger's account of the rise of the entrepreneurial state is consistent with a number of other studies documenting the state innovations of the 1980s. See Mel Dubnick, "American States and the Industrial Policy Debate," *Policy Studies Review* 4, no. 1 (August 1984): 22–27; Susan B. Hansen, "State Industrial Policy: The Case of Pennsylvania," paper presented at the Southwest Political Science Association meetings, Houston, March 1985; and William E. Hudson, Mark S. Hyde, and John J. Carroll, "Corporatist Policy Making and State Economic Development," *Polity* 19, no. 3 (1987): 402–418. This literature provides ample evidence that state policymakers, unlike their counterparts at the national level, endorsed adoption of entrepreneurial policies in their states. Most of this literature is anecdotal, describing policies in a handful of states. Osborne, in *Laboratories of Democracy*, for example, provides a detailed description of gubernatorial initiatives in six states: Pennsylvania, Arkansas, Arizona, Michigan, Massachusetts, and New York. Similar program descriptions are contained in a 1988 Committee on Economic Development–funded study of seven

- states. R. Scott Fosler, ed., *The New Economic Role of American States* (New York: Oxford University Press, 1988). Three of Fosler's states are also discussed by Osborne.
10. Eisinger, *The Rise of the Entrepreneurial State*, 7–10.
 11. Blaine Liner, "States and Localities in the Global Marketplace," *Intergovernmental Perspective* 16, no. 2 (Spring 1990): 14.
 12. Eisinger, *The Rise of the Entrepreneurial State*, 297; John Kincaid, "The American Governors in International Affairs," *Publius* 14, no. 4 (Fall 1984): 95–114; and Liner, "States and Localities in the Global Marketplace," 11–14.
 13. William E. Hudson, "The French Socialists and the New Europe of 1993," paper presented at the American Political Science Association meetings, San Francisco, August 1990.
 14. A collection of statements on the EEC by leading European socialists has been published as *Europe Without Frontiers: Socialists on the Future of the European Economic Community*, edited by Piet Dankert and Ad Kooyman (London: Mansell Publishing, 1989).
 15. Steven Sylvia, "The Prospect of a Unified European Union Movement as a Result of 1992," paper presented at the Seventh Conference of Europeanists, Washington, D.C., March 1990.
 16. These effects derive solely from the completion of the unified market program, which occurred on December 31, 1992.
 17. Penelope Lemov, "Europe and the States: Free Trade but No Free Lunch," *Governing* 4 (January 1990): 49–52. See also discussions in Gary Hufbauer, ed., *Europe 1992: An American Perspective* (Washington, D.C.: Brookings Institution, 1990), 41–44.
 18. Lemov, "Europe and the States," and Hufbauer, *Europe 1992*, 88–105. This has been a working principle in establishing Europe's internal financial markets, which are to be encumbered by "a minimum of locally imposed conditions." Commission of the European Communities, *Europe Without Frontiers: Completing the Internal Market* (Luxembourg: Office for Official Publications of the European Communities, 1989), 45.
 19. Brandon Roberts, "EC '92: Opportunity Knocks?" *State Legislatures*, May–June 1990, 13–18.
 20. Robert P. Strauss, "The EC Challenge to State and Local Governments," *Intergovernmental Perspective* 16, no. 1 (Winter 1990): 13–14.
 21. Ibid.
 22. Virginia Gray and David Lowry, "The Corporatist Foundations of State Industrial Policy," *Social Science Quarterly* 71, no. 1 (March 1990): 3–23.
 23. These are Indiana, Michigan, Connecticut, Illinois, Maryland, Mississippi, Missouri, Montana, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, and Wisconsin, plus California and Massachusetts.
 24. The programs are customized industrial training (adopted by forty states), direct or indirect state loans (twenty-seven states), state grants (fourteen states) and state-funded or state-chartered equity/venture capital programs (eight states). Gray and Lowry, "The Corporatist Foundations," 15.
 25. The states are California and Connecticut.
 26. Liner, "States and Localities in the Global Marketplace."
 27. In Rhode Island, for example, export counseling is provided through the Export Assistance Center at Bryant College. The state provides only a portion of the funds to support the center, although the State Department of Economic Development has no capacity of its own to offer such counseling. The center's director has such low expectations of receiving substantial future support from the state that his long-term plan is to move entirely to corporate grants, even though he himself is a state legislator!
 28. Robin L. Franz, *Export Finance Programs: Executive Summary* (Smithfield: Rhode Island Export Assistance Center, 1989).

29. See, for example, "American Survey," *The Economist*, February 9, 1991, 27.
30. *New York Times*, April 18, 1991, B-10.
31. Margery M. Ambrosius, "Are Political Benefits the Only Benefits of State Economic Development Policies?" paper presented at the American Political Science Association meetings, San Francisco, August 1990; Susan B. Hansen, "Targeting in Economic Development: Comparative State Perspectives," *Publius* 19 (Spring 1989): 47-62.
32. Negotiations on the GATT, in which the European Economic Community and the United States have been the dominant participants.