



ATTRACTING JOBS CAN BE A COSTLY ADVENTURE

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ST. LOUIS -- Conventional wisdom says that states that attract new jobs will benefit financially. But with states offering bigger and bigger incentive packages with the expectation of luring job-creating firms, the exact opposite may be true. Is it wise for states to make such offers?

In "Are States Giving Away the Store?" an article in the January issue of The Regional Economist, the St. Louis Fed's quarterly review of business and economic issues affecting the Eighth Federal Reserve District, Economist Adam M. Zaretsky discusses why attracting new jobs can be a costly adventure.

"What started out as tax incentives to lure new business has expanded to include things like employee training programs and infrastructure improvements," says Zaretsky. "In fact, the sheer size of some incentive packages has led to concern that many states have gone too far."

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According to Zaretsky, many believe that states should invest in communities and people rather than individual businesses so that the fortune of a community is not tied up in one company. In addition, states should make companies accountable for holding up their end of a deal after being showered with subsidies.

"Nevertheless, as long as states continue to compete with each other, more and bigger packages will be negotiated until a threshold is reached, beyond which states will simply refuse to go," he added.

Two additional articles complete the January issue: "Can Agriculture Rebound This Year?" by Economist Kevin L. Kliesen, who discusses the agricultural outlook for 1994 and "Making Sense of Mark to Market" by Economist Michelle A. Clark, who examines why bankers are dreading the switch from historical cost to market value accounting practices.

The Federal Reserve Bank of St. Louis has branches in Little Rock, Louisville and Memphis. It serves the Eighth Federal Reserve District, which includes all of Arkansas, eastern Missouri, southern Indiana and Illinois, western Kentucky and Tennessee, and northern Mississippi.

PLEASE NOTE: INTERVIEWS WITH ADAM ZARETSKY ARE AVAILABLE BY
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