
SUBNATIONAL ECONOMIC DEVELOPMENT AND ENVIRONMENTAL POLICY IN AN INTERNATIONAL CONTEXT

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Abstract

Over the past two decades, there has been a growing recognition that subnational actors are playing an increasingly energetic role in foreign affairs. The once robust notion that U.S. foreign affairs rest solely within the purview of the central government has become a relic of a bygone era. States, in particular, both out of necessity and as a result of new opportunities, have stepped onto the international stage in a variety of policy areas – including economics, environmental protection, politics and culture – not as stand-ins for the federal government, but as sovereign actors with their own unique role.

Using Event History Analysis, this study draws on general policy adoption and diffusion theory to investigate the motivations of states adoption of international economic development (IED) and international environmental (IEnv) policy. The results of this analysis provide important insights into the similarities and differences in subnational environmental and economic development foreign policy adoption.

Introduction

Over the past two decades, there has been a growing recognition among international relations and federalism scholars that subnational actors are playing an increasingly energetic role in foreign affairs. Collectively, these scholars agree that the once robust notion that U.S. foreign affairs rest solely within the purview of the central government has become a relic of a bygone era. States, in particular, both out of necessity and as a result of new opportunities,

have stepped onto the international stage in a variety of fora, including economics, environment, politics and culture, not as a stand-in for the federal government, but as a sovereign actor with its own role to play.

The primary focus of the burgeoning literature on the subject of subnational foreign affairs has been its impact on national foreign policymaking and international relations. Far less is being written, however, about subnational foreign affairs from a state policy viewpoint. In fact, many of those integrally involved in the design, adoption, and implementation of subnational policy with an international orientation do not recognize these activities as “foreign affairs” or “foreign policy”.¹ The fact remains, however, that states are interacting with foreign regions and their actions are designed to create some response from those regions, either in a positive mode (as in the case of international economic development), or in a more coercive mode (as in the case of human rights activity). Rather than focusing on whether states have a legitimate role in this realm, the more useful analysis focuses on how the “different advantages” can be leveraged. This, however, requires that we understand “which functions and policy instruments are best centralized and which are best placed in the hands of state and local government (Oates, 1998: p. 3).”

Both the *type* of issues at play and the *demand* for action at a local level are forcing state and local governments to take a more active role in international policy. This is due, in part, to shifts in a variety of economic and social forces – economic globalization, devolution of federal responsibilities combined with decreased transfer payments to states, and overall increases in international connectedness. It may also be due in part to a shift in perspectives on what “national security” means. Although *national security* remains a fundamental function of the federal government, the definition of the term has moved away from the narrow concept of armed conflict, to a broader definition that includes economic security and physical health and well-being. Thus, national security now encompasses a broad array of issues from containing “mad cow disease” (BSE) to protecting intellectual property rights. These issues actively engage citizens on a local level both because they are issues that impact individuals’ day-to-day existence and because they can have a significant effect on small and medium-sized commercial operations, rather than being distant issues that engage only the national policy elite and behemoth multinational corporations (MNCs).

The vast majority of the studies that have been undertaken to date have focused on understanding the effects of subnational foreign activity on the foreign policy of the federal government. Little attention has been given to the effects of this emerging state role *on the states themselves*. This paper is part of a larger research agenda that attempts to move toward the development of a new state-level perspective of global governmental interaction. This new perspective recognizes state governments as a full-fledged player in foreign affairs and attempts to develop a clearer understanding of the strengths and weaknesses of policy development at this level. Ultimately, it is necessary for state-level government administrators and policymakers to have a better understanding of their unique role in identifying, designing and implementing effective foreign policy – not as a subsidiary of the central government, haphazardly darting in and out of the international policy milieu, but as a mature, constant actor with a clear understanding of the global policy environment and knowledge of where and when state-level policy activity is most likely to be useful and successful. In a scarce resource environment, states need this type of informative research to help target their activities to best advantage.

The Evolution of State-level Involvement in Foreign Policy

State-level involvement in foreign policy has waxed and waned throughout the history of the U.S., and theory development has generally followed suit (see also Kincaid, 1984). Prior to the founding of this country, the colonies had a strong, primarily economic interest in international relations, and they actively pursued their interests abroad. Even after the establishment of the constitution, the states continued to build their individual economic bases by exporting their resources and seeking out foreign investment. As the nation coalesced, however, state-level interest in foreign affairs dwindled as local legislators and governors turned their attention to domestic issues. During this period the role of the U.S. president expanded through the increasing use of executive agreements to accomplish foreign policies goals and through U.S. Supreme Court decisions that interpreted federal powers over foreign affairs quite broadly.

After World War I, the American economy was among the most robust and powerful in the world (Kincaid, 1999). However, in the early 1930s, as the nation sank into an economic depression, the capacity and interests of the states to be involved in foreign affairs again declined, and state policymakers' attention turned to more

pressing local matters. By the end of World War II, through either voluntary withdrawal or federal preemption, state involvement in foreign affairs had become “nearly invisible” (Kincaid, 1984: p. 99).

As a result, the modern study of international relations has centered almost exclusively on the nation-state. Internal coherence in foreign policy (identification and articulation of a unified national interest) has been highly prized, and the conduct of diplomacy stressed the importance of nations speaking “with a single voice.” Such coherence was considered crucial in the international arena to avoid misunderstanding and to avoid allowing other nation-states to exploit domestic divisions (Hocking, 1993).

Following the end of World War II, the global political climate changed dramatically. The U.S. had developed a network of political-security agreements, establishing a new, deep involvement of U.S. interests with other nations (Kline, 1984). The U.S. economy, aided by enhancements in international transportation and communication, remained exceedingly strong. The world economy was “going global.” During this post-war period, “[international] trade grew nearly twice as fast as production, while foreign direct investment grew at a much faster rate than total investment. In the U.S., foreign trade increased ten-fold from around \$20 billion in 1953 to over \$200 billion in 1975. Goods, capital, people and ideas began moving across national boundaries with growing speed and increasing volume (Kline, 1984: p. 24).”

By the 1960s the world economy had been transformed. Multinational corporations (MNCs) multiplied and acquired political power that transcended nationality. They brought with them the creation of various international and multinational organizations in an effort to make rules more stable, thereby reducing transaction costs associated with uncertain and inconsistent legal frameworks. International organizations also began to emerge to address other issues that were not bound by sovereign borders, such as the protection of the environment and human rights. With the unprecedented movement of people and products around the globe, it became increasingly difficult for central governments to keep international issues separate from domestic issues.

During this period the U.S. federal government was in an expansion mode domestically, taking the lead in managing the national economy and creating a variety of programs designed to aid

local development through intergovernmental transfers (Kline, 1984). Some state policymakers – those who understood the opportunities presented by the emerging global environment – began to make forays into the international arena. In the early 1960s, for example, a handful of state governors began to arrange trade missions abroad in an effort to advance their own state's economies, and state development agencies began to work with the U.S. Commerce Department to establish small export programs to assist local firms to market products abroad.

Beginning in the late 1960s, the federal government began to enter into a more conservative period. Federal transfer programs began to diminish – a movement spurred on by the economic recession of the 1970s, while at the same time more and more of the burden was being shifted to the states to carry out what had been the responsibility of the federal government. State policymakers, dissatisfied with the uneven results of national economic policies (that not unexpectedly resulted in relative winners and losers), coupled with the increasing need to generate revenues to make up for dwindling federal dollars, began to actively pursue their own state's international interests, economic and otherwise.

International Economic Development policy (IED) reemerged as a state-level policy domain in the early 1970s, in response to the dual forces of increasing globalization of the economy and the rise of New Federalism in the U.S..² Although a few states began actively pursuing their own economic development strategy prior to that time, most states were content to follow the tides of the national economy. However, as the nation entered a recession, followed closely by the twin oil shocks of the early 1970s, states began to seek ways to direct their own economies. And when the federal government began to cut federal grants, states needed to find new ways of generating income to bear the financial burden of these programs.

Thus a new era of state-level economic development was ushered in. Until this time, most state economic development was centered on “smoke-stack chasing” – providing various financial incentives to manufacturing firms from other states as an enticement to relocate. This form of economic development was largely unfulfilling for states because the number of large manufacturing firms was small, so relatively few states came out “winners” under this model (Peirce, et al., 1979). In the broader view this is a zero-sum

game – while one state wins, another loses (Peirce, et al., 1979). State policymakers began to look for more creative (and hopefully lucrative) ways to grow business.

During this same period, states also began to take on a more significant role in international environmental policy (IEnv). Throughout the 1960s and of the 1970s, the federal government was the primary actor in environmental regulation. In fact, the federal Environmental Protection Agency (EPA) was created largely because states failed to protect their own environment prior to the 1970s (Ringquist, 1993). In the late 1970s and particularly in the early 1980s, this began to change. Citizens perceived the federal government as not fulfilling its environmental duty and states began to fill the void. In doing so, they demonstrated that at times states can create better transborder environmental policy because such policy can provide more flexibility to address local concerns than a broad federal approach (Allee, 1993). Although the federal government continued to provide regulatory guidelines and standards, most states took a more aggressive role in defining and enforcing environmental policy, and today this arena is considered a core competency of most state governments.

During this period another more profound transformation was occurring as well, the globalization of the economy. Spurred by technological advancements in communications and transportation, the economic fates of the American people had become intricately tied to the economic fortunes of businesses around the globe. Earl Fry (1998) provides some staggering statistics:

- In 1998, international trade in goods and services exceeded \$6 trillion, up almost 80-fold in nominal terms since 1950.
- MNCs and international investors made \$315 billion worth of international direct investments outside their own national borders in 1995, almost a 1,000 percent increase since the late 1970s. And MNCs and their affiliates account for at least one-third of the global flow of goods and services, up from about 20% in 1970.
- In the U.S., intrafirm trade by U.S. and foreign-based MNCs produces almost 50% of total U.S. merchandise exports and over 50% of merchandise imports.

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- In 1994, an estimated 100 million people were living outside their country of citizenship.

Not surprisingly, states began to look to international markets as possible areas of economic growth for their own economies. As they became more sophisticated in economic development in general, they also began to develop international expertise. Virtually every state institutionalized their commitment to international trade and economic development by creating in statute a department, division or unit devoted to international trade activities.³

It was during this energetic period that the first signs of significant scholarly attention to the issue of subnational foreign relations began to appear. Keohane and Nye's writings presented something of a paradigm shift within international relations because their work represented the first substantive discussion of governmental players other than the nation-state in the international arena.

"To a greater or lesser extent, a number of scholars see our era as one in which the territorial state, which has been dominant in world politics for the four centuries since feudal times ended, is being eclipsed by nonterritorial actors such as multinational corporations, transnational social movements, and international organizations. As one economist put it, 'the state is about through as an economic unit'" (Keohane and Nye, 1977: p. 3). Although Keohane and Nye did not jump on the "the state is dead" bandwagon, they most definitely foresaw new life emerging on the international stage, including subnational governments.

Since the 1970s, state governments have slowly been institutionalizing their international capacities, creating agencies and establishing legal frameworks for their activities abroad. States moved beyond acting as surrogates for federal policy (although that clearly was and is a continuing aspect of state foreign activity), and became full-fledged international actors asserting their own sovereign competencies in a variety of international policy arenas.

It was not until the early 1980s, however, that a literature on state-level diplomacy emerged. And it emerged in two distinct branches: one branch began blending traditional international relations theory with what has become known as "new federalism" to create "microdiplomacy." The second branch developed in policy-

specific literature, most particularly in economic development.⁴

Ivo Duchacek was perhaps the first to attempt a fully conceived theoretical framework of state-level involvement in foreign relations, coining the term “microdiplomacy” to describe the new phenomenon. In a 1984 volume of *Publius: The Journal of Federalism*, Duchacek used the term microdiplomacy as a short-hand term “to describe the concept and practice of [the] international ramifications of autonomous territorial politics (Duchacek, 1984: p. 5).” In that article Duchacek described increasing incidents of international contact of constituent governments (states, cities, provinces, cantons, etc.)

Duchacek’s article is important for two reasons. He purposefully moves beyond the Keohane and Nye “world paradigm” analysis by recognizing that, unlike other non-central state transnational actors such as MNCs and NGOs, these subnational governments have a level of international competence and cannot be viewed as merely subordinate units of the central government. Most of these external contacts “deal with issues traditionally or constitutionally subject to the reserved, residual, delegated, or shared jurisdiction of subnational territorial components (Duchacek, 1984: p. 6).” These issues fall within the rubric of “low politics” – issues of economic development, environmental issues, cultural exchanges, human rights and politics, etc. – issues not generally considered within the traditional concept of foreign policy (a.k.a. “high politics”) of national security and diplomatic status (Duchacek, 1984).

Duchacek advances the early debate beyond Keohane and Nye’s world paradigm by recognizing the international competence of subnational governments, he however continues to advance a theory of subnational foreign relations from their same (nation)state-centric view.

Panayotis Soldatos builds on Duchacek’s work by putting forward a framework for explaining the paradiplomacy of federated states, focusing on the rationalization process. Here again, however, the analysis is decidedly state-centric. Soldatos asserts that such subnational government activity need not be a disintegrative phenomenon (as posited by some writers such as Spiro 1990, 1999). Although Soldatos focused in his early writing on the fragmenting effect of subnational government activity (which inevitably leads the

analyst to view subnational governments as having a disintegrative effect), he later adopts Duchacek's concept of policy segmentation (which allows the analyst to consider subnational governments as part of a rationalization process.) Policy segmentation more readily leads to cooperative policy development, thereby increasing the overall effectiveness of foreign policy.

Ultimately, these discussions do little more than move along a continuum of centralization and decentralization: is this a good thing or bad thing, is this an important phenomenon or is it merely dalliances by states that provide no real threat to the federal government's single voice in international diplomacy. Implicit in much of this debate is the assertion that when states are not acting to rationalize federal level foreign policy they are merely internationalizing local policy and although they are *active* abroad, what states engage in is not "*pure*" foreign policy but is rather a "pale imitation of *real* diplomacy" (Hocking, 1999: p. 21). This has become a fruitless debate and it offers little to further our understanding of subnational foreign relations *at the state policy level*. As Brian Hocking (1999: p. 36) points out, "the problem is not the absence of a foreign policy dimension to non-central government activity for . . . there is one, but that it provides only partial explanations, almost inevitably skewing the issue towards a national policymaker perspective."

Rather than looking at subnational governments as being separate entities from the central government and thus outside the foreign policy process, Hocking posits a new view of diplomacy in which local, national and international policy issues are filtered through a complex web of actors, a web that changes shape and substance depending on the policy at hand. In this "*multilayered diplomacy*" success requires an evaluation of the actors involved and decisions as to which of these need to be targeted at specific points in the negotiation. Traditional assumptions and analyses are no longer useful.

"Certainly, the international interests of non-central governments are more limited in scope than are those of national governments and have a pronounced economic orientation. It would, however, be misleading to dismiss them as second-order actors as a result. The global web of world politics ensures that non-central governments have interests and responsibilities [that] can often, quite unexpectedly and

sometimes against their wishes, project them into the international limelight. Increasingly, the various levels of government have legitimate international interests and these have to be accommodated rather than denied (Hocking, 1993: p. 204)."

The emphasis here is on linking policy environments on a variety of levels. Coherence in foreign policy is still valued, but such coherence is often a slow and uncertain process. Other values are now also relevant, including flexibility to respond to changing circumstances, and sustainability in complex negotiations (Hocking, 1993). Hocking's approach to subnational foreign relations, thus shifts the emphasis from policy agenda setting to an emphasis on management of the multilayered diplomatic environment. This management role is not defacto a role for the central government, but one that is shared and shifted depending on the goals being pursued, the actors involved and where the issue is positioned in the policy process.

As states began to understand the power of exporting, they began to open trade offices abroad. By 1990, 163 overseas trade offices existed around the globe, although this number has declined slightly since. (These offices were often opened hastily, with ill-defined objectives, limited staffed and very little resources to support them, leading many policymakers to question their value to the state [Conway and Nothdurft, 1996].) State international trade services continue to evolve and today most trade departments offer some form of training, counseling, event assistance, foreign investment recruitment, trade missions, research assistance and leads (Conway and Nothdurft, 1996). Some states provide other types of assistance such as import assistance and targeted case management.

Today, domestic environmental protection is a shared function undertaken at both the federal and state level. States are at the forefront of efforts to protect the environment and are best equipped to address environmental concerns at the local level where they actually occur (Ringquist, 1993; Feiock and Stream, 1999). Because environmental issues such as air and water quality cannot be contained by geopolitical boundaries, these concerns often require international solutions.

In recent decades, a variety of international organizations have emerged to focus attention on these border-less concerns.

Negotiations between local organizations at this international level not only provide the obvious benefit of promoting the establishment of formal and informal channels of communication, exchange of information and coordination of policies, but they also lead to the establishments of lasting relationships that keep both (or all) sides participating in a collective action solution to common pool resource problems. In this light, IEnv agreements represented in this study can be seen as on-going negotiation processes that support the overarching broad standards established through international and multilateral federal agreements.

Global trade issues have become inextricably tied to international environmental issues. The Director of the British Columbia Ministry of Environment, speaking about the challenges of subnational jurisdictions dealing with international trade and environment protocols, stated, "Those at the subnational level have had a variety of growing pains dealing with trade policy. They are not always certain whether what they are seeing is the greening of trade policy, or the intrusion of trade policy into traditional jurisdictional mandates of environment ministers (Allee, 1993)."

Research Design and Methodology

This study uses a model based on an integrated theory of policy adoption. Traditional theories of public policy adoption have attempted to address the influence of economics, political institutions, and interest groups in an isolated manner. Economics theory brings us a long way to understanding the socioeconomic conditions in which policy needs arise, but alone it provides little explanation for how those needs are articulated to policymakers. Interest group theory provides very useful insights into how individual demands for policy are gathered together and raised to the attention of policymakers, but does not address the process of turning policy needs into policy outputs. Political institutions theory explains the actual policy adoption process but offers little insight into how individual interests make the transition from the dinner table to the political table. Finally, states do not exist in isolation, but rather they interact within a larger regional and national arena. The effects of regionalism frequently influence policy innovation, diffusion and adoption as neighboring states create pressure in the subject state to adopt particular policies. These theories, taken individually, lack the richness of a fully integrated theory that

recognizes each of these influences are best understood as part of a larger, complex state policy milieu.

To overcome these shortcomings, I follow the lead of Ringquist and others in constructing an integrated model of subnational foreign policy adoption. Although I would not expect a general theory to provide a fully complete picture of the factors that impact foreign policy adoption, it provides a sound basis of well-tested theory in which to ground the analysis. Drawing on state policy adoption, and policy innovation and diffusion literatures, I present a research design to estimate models of subnational international economic development and international environmental policy adoption.

The Event History Analysis (EHA) model developed in this study assumes that the probability of adoption in a state in a given year is determined by the state's internal characteristics (including its previously demonstrated propensity to adopt international policy), and by the adoption of similar policies by other similarly situated states.⁵ But, as Berry and Berry stated in their 1992 analysis of tax policy adoption, general hypotheses about determinants cannot be translated to all policy without careful consideration of their applicability (See also Gray, 1973).

The objective of EHA as used here is to explain a qualitative change in a state's behavior, that is, a policy adoption (Berry and Berry, 1992). In other words, it helps us to get at a fundamental research question, "For any state, what determines the probability that the adoption event will occur during the time period" (Berry and Berry, 1990). EHA allows us to test policy adoption models using pooled, cross-sectional time series data.

An Integrated Model of State Policy Adoption

The general model being applied here is adapted from Berry and Berry's (1999) model of state government innovation:

$$\text{ADOPT}_{i,t} = f(\text{INTERNAL}_{i,t}, \text{EXTERNAL}_{i,t})$$

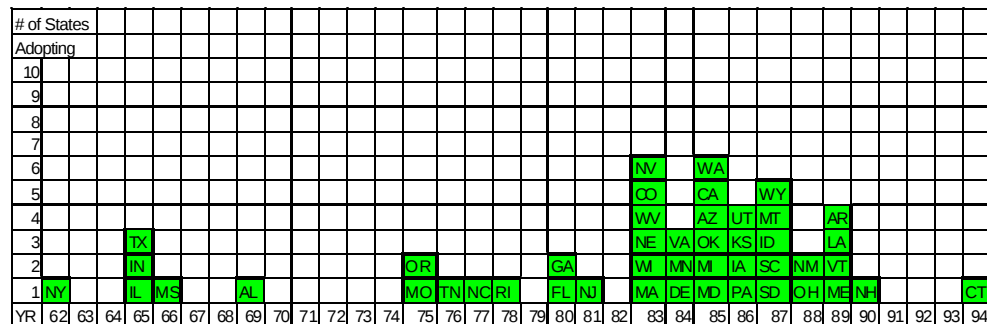
where a state's probability of adopting a policy in year t , is dependent upon the state's internal determinants (citizen demands, political institutions, interest group activity and state fiscal capacity) and external determinants (geographic proximity to an international boundary and regional diffusion effects on state adoption).

Dependent Variable

The dependent variable, $ADOPT_{i,t}$, is a dichotomous variable representing whether or not a state has adopted a particular policy during a given year. To represent *international economic development*, the event under consideration is the establishment of an international trade and economic development unit or division within the state's executive-level agencies. Although several states had made discrete forays into international activity – a trade mission here, an export program there – it wasn't until the 1970s and early 1980s that most states institutionalized those international efforts by creating a separate international division with a separate budget and dedicated staff. Using data gathered from the state development agencies and state statutes, a dichotomous variable is constructed identifying the year in which each state institutionalized its commitment to international economic development by establishing their international division/unit. This variable is coded “1” for the year of adoption, and “0” for all other years under consideration.

Figure 1 shows the pattern of state IED adoption between the years of 1962 and 1994, as supplied by state agency staff and statutes.

Figure 1
State Adoption of International Economic Development Policies by year 1962-1994

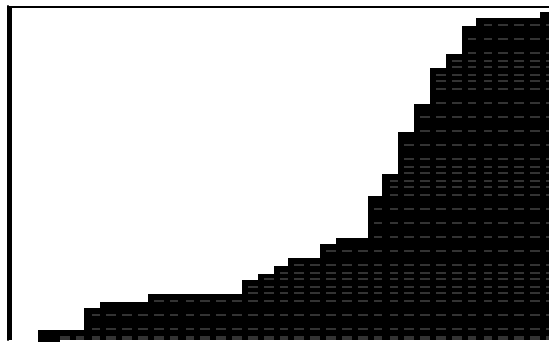


Source: Information regarding year of adoption was provided by individual state economic development offices.

Typical of policy adoption processes, a handful of states were early adopters, followed by a significant upward slope as more states adopted, and then leveling as the late-adopting states acted. (See Figure 2 below.) New York was the first state to institutionalize the state's commitment to IED by establishing such a unit in state statute in 1962. Therefore, the model uses data from 1962 through 1994 when

Connecticut adopted IED policy. Because this is a non-repeatable model (each state established such an office one time) once a state acts to establish an IED office, it drops from the data set. Only five additional states followed New York's lead over the next twelve years. The large majority of states (31) established IED units/divisions between 1983 and 1990.

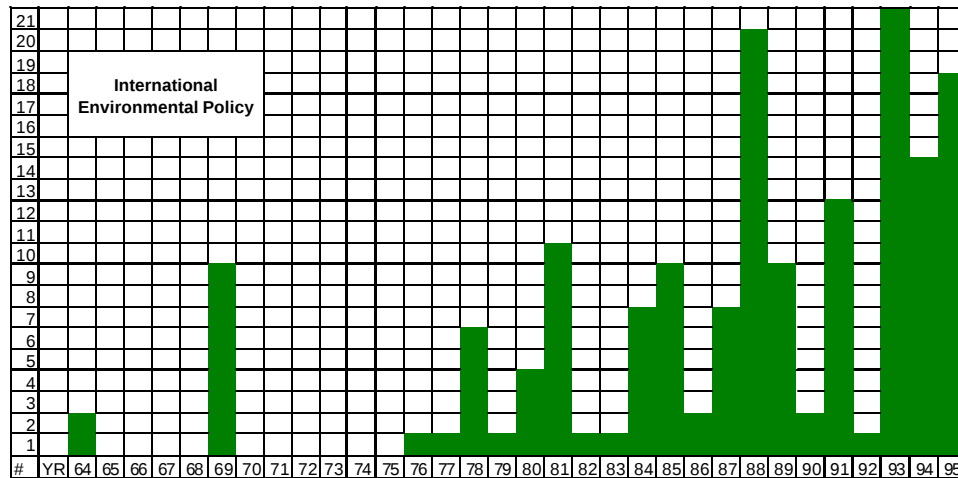
Figure 2
Cumulative International Economic Development Adoption Rate 1962-1994



The dependent variable in the IEnv model represents the years in which each state entered into an international environmental agreement. Data used to construct this variable are drawn from research conducted by Kirton and Munton, and provide information on both formal and informal agreements between American states and Canadian provinces (Munton and Kirton, 1996).⁶ No comparable study of American-Mexican subnational agreements has been produced. Therefore, in this study I estimated the IEnv policy adoption model twice – first with all states included, and again with only northern states included – to determine whether significant information would be lost by including southern states.⁷ Although there were some differences between the full model and the northern states model, they were relatively minor.

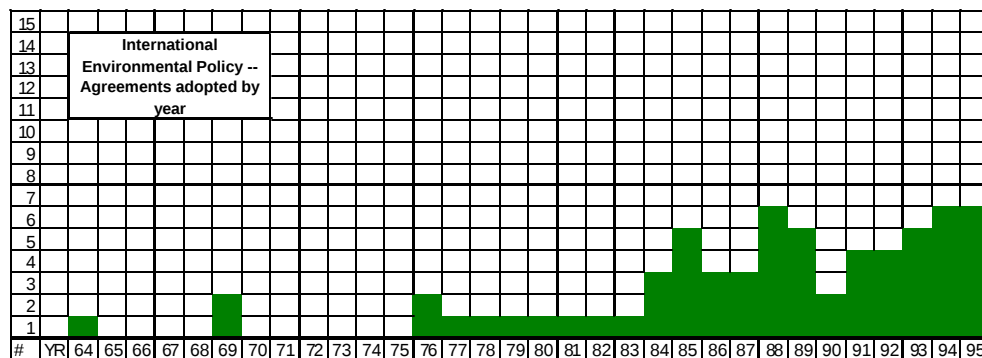
Figure 3 summarizes IEnv policy adoption activity by year.⁸

Figure 3
International Environmental Policy Adoption – Year of Adoption (by state adoption)



Typical of policy adoption processes, a handful of states were early adopters. Recent adoptions, however, show a pattern of peaks and valleys rather than the curve seen in the IED policy adoption arena. This is because in some years several states contributed to a single multilateral agreement. As a comparison, the chart below shows the actual number of agreements concluded by year and illustrates a more level adoption rate.

Figure 4
International Environmental Policy Adoption – Year of adoption (by agreement)



In 1964, Oregon and Washington entered into an agreement with British Columbia to coordinate Columbia River operations for power and flood control. This agreement represents the earliest state IEnv policy adoption in the data set, and thus marks the starting point for this analysis. The model includes adoptions occurring

through 1995. A state can enter into more than one agreement over time and thus a repeatable model is used here. Each state remains in the data set throughout the entire analysis, rather than dropping out after the state adopts, as in the IED model.

Independent Variables

The determinants or causal aspects of policy adoption – those factors that increase or decrease a state's likelihood of adopting a given policy – have been well explored. Although no definitive model has emerged, past research convincingly supports the importance of an integrated model, incorporating both internal and external determinants. Thus this research adopts an integrated approach. A summary of the specific variables used and their sources is provided in Appendix 1 at the end of this article.

Internal determinants. Internal determinants salient to adoption of state foreign policy can be broken into two broad categories: demand and capacity (Wilson, 2000; Berry and Berry, 1992).

Internal demands are those characteristics that create a need or pressure for certain types of policy adoption. The first set of variables, *citizen demands*, represent the socioeconomic conditions and general political tenor of the citizens that form the environment in which needs and boundaries of policy options are established. *Political institutions* embody the political and administrative institutions in which public policy is pursued. Political institutions shape the way interests are accommodated within the political system. Further, they often have their own policy goals, separate from and at times in conflict with citizens or interest groups. Therefore the second set of internal determinant variables in this model represent elements of a state's political system (unified government, liberal government and government ideology.) *Interest groups* are often influential in articulating policy demands to government. The third set of variables represents the level of organized interests in a state.

Internal capacity. Capacity characteristics represent a state's constraints, or conversely its resources available to respond to demands for policy adoption. In this study, a state's internal capacity is determined both by its *fiscal capacity*, and the strength of the government's institutions – including the Governor, legislature and

bureaucracy.

External Characteristics

The previous determinants of policy adoption focused on characteristics internal to the state. However, policy adoption is often influenced by external factors as well. Two such factors are pertinent to this study. The first is regional diffusion. States learn from the experiences of other states and they also adopt policy as a defensive measure to avoid losing opportunities to another state. In this model, this external influence on a state's policy adoption is represented by *neighboring state adopting*. This measures the number of neighboring states that have adopted a similar policy. (Like other diffusion models, this measure assumes that states are more likely to learn from nearby states. The second factor considered in this study is the state's geographic connection to an international boundary. The measure, *perimeter state*, is designed to measure the effect of sharing a border with a foreign country on a state's foreign affairs policy adoption. A dummy variable is constructed where a state adjacent to an international border or international waters = 1, otherwise = 0.⁹

Empirical Findings

Overall Model

The results of the IED and IEnv policy adoption EHA analyses are presented in Tables 1 and 2.

Table 1
International Economic Development Policy Adoption Logit Results

Independent Variables	Coeffic.	Std. Error
Education	-.024**	.010
Per Cap Income	.003**	.001
PCI*LN*PCI	-.000**	.000
Urbanization	.770*	1.677
Population	1.731	4.921
Racial Diversity	7.939**	3.002
Citizen Political Ideology	-.025	.024
Government Pol. Ideology	.016	.019
Unified Government	-.310	.372
Liberal Government	-.214	.265
Business Associations	10.750**	4.639
BA*LN*BA	-12.290**	5.635
Labor Organizations	.871	.629
Civic Organizations	.145	1.686
Nonprofit Orgs	-.706	1.448
Religious Orgs	.225	.170
Tax Capacity Index	-.029**	.012
Governor's Power	-.026	.173
Legislative Profess	.547	1.900
Bureaucratic Strength	-.004	.005
Perimeter State	-.726**	.362
Neighboring State Adopt	-.082	.195
_cons	-13.231	5.532

Log Likelihood = -140.497

Chi-Squared = 166.04

N=1029

$p < .0001$

*** $p < .01$, ** $p < .05$, * $p < .10$

Economic development, and by extension IED, is a traditional function of state government and therefore the IED model of policy adoption is not expected to vary greatly from the general model in which citizen demand, political institutions, interest groups, state fiscal capacity and institutional capacity would feature prominently. These results, indeed, do provide support for this model. Citizen demand variables, in particular, feature prominently in the model results. Fiscal capacity, interest groups, and perimeter state also are supported by the model results. Political institutions, institutional capacity and diffusion variables, however, are not found to be significantly correlated to IED.

Table 2
International Environmental Policy Adoption Logit Results (Northern states only)

Independent Variables	Coeffic.	Std. Error
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Education	-.003	.006
Per Cap Income	.000***	.000
Urbanization	1.666	1.029
Population	-.000	.000
Racial Diversity	-10.316***	3.269
Citizen Political	.008	.012
Ideology	-.001	.007
Government Pol. Ideology	-.162	.231
Unified Government	.203	.136
Liberal Government	3.064***	.989
Business Associations	-1.654***	.440
BA*LN*BA	.055	.172
Labor Organizations	-.052	.084
Civic Organizations	-.085	.071
Religious Organizations	.384	.998
Nonprofit Organizations	-.034***	.010
Tax Capacity Index	.030	.087
Governor's Power	.527	.560
Legislative Profess	.000	.002
Bureaucratic Strength	.790***	.255
Border	-.069**	.028
Neighboring State	-4.733***	1.514
Adopt		
_cons		

Log Likelihood = -284.285
N=832
Chi-Squared = 738.18
p < .0001
***p<=.01, **p<=.05, *p<=.10

States have entered into IEnv policy out of necessity. They often have entered into this policy arena because the federal government has failed to provide an adequate solution. Because of their aggressive role in defining and enforcing environmental policy, this policy arena has become a core competency of most state governments. Thus, it is not surprising that a general policy adoption model provides support for a number of the relationships that would be predicted by general policy adoption theory. Much like in the IED model, citizen demand, fiscal capacity and to a lesser extent interest group involvement are all identified as key determinants of IEnv policy adoption. The results of this analysis, however, point out several key departures from general policy adoption theory worth noting, particularly in the areas of institutions, fiscal capacity, and diffusion.

Internal Determinants

Citizen demand.¹⁰ Citizen demand variables include education, per capita income, urbanization, population, racial diversity, and citizen political ideology. Policy adoption, economic development environmental policy theory suggest that these would be key determinants and, in fact, citizen demand variables feature prominently in the IED, and to a lesser extent the IEnv, policy adoption models.

Education is negatively correlated to IED. General policy adoption theory suggests that *Education* is positively related to the policy adoption. More highly educated individuals tend to have a greater awareness of policy options and opportunities, and they tend to be more open to innovation. The thrust of IED, however, is to increase the economic standard of living in a state. Less educated individuals tend to have fewer economic opportunities and, therefore, would generate an increased demand for economic development policy.

In a general policy adoption model, *per capita personal income* is thought to be positively related to policy adoption. As personal income rises in a state, citizen demand for discretionary public goods rises. Although economic prosperity generally raises citizen demand for public services, it also eases pressure for economic growth and other growth-related policies. (Feiock and Clingermayer, 1992). In this model, however, per capita income is positively related to both IED and IEnv, although the relationship diminishes somewhat in the IED model as income rises. This finding supports the general policy adoption theory that as per capita income rises, citizen demand for discretionary policies rises as well. Because international economic development and environmental protection provide long-term rather than immediate benefits, they may be properly classified as “discretionary.”

Urbanization and *Racial Diversity* are both positively correlated with IED policy adoption. In an increasingly global economy, the industrialization that accompanies urbanization will increase demands for *international* economic assistance programs. Particularly during the early stages of the trend toward globalization, many companies were exposed for the first time to international opportunities. This created a large demand for government technical and financial assistance to help them tap into these new emerging markets. Further, individuals in urban populations are expected to have greater socialization to issues of internationalization and

foreign-born individuals, and thus be more predisposed to internationally-focused policies.

Racial Diversity is positively related to international economic development policy adoption. Because more racially diverse populations produce more heterogeneous preferences, a greater demand would be placed on the government for public policy. Thus, governments in more urbanized states would likely develop economic development (and IED, by extension) strategies to fund the greater demand for goods and services.

Interestingly, increased levels of racial diversity are negatively related to IEnv policy adoption. One explanation for this finding is that, as racial diversity increases in the state, diversity of needs and demands for government policy increase as well, thereby diffusing the focus on environment-related policies. Another explanation is that environmental agreements may be viewed as detrimental to the development goals of IED adoption.

Political institutions. Political institutions variables include government political ideology, unified government, and liberal government. None of these political institutions variables demonstrated significance in either of the models. This result supports the statement above – conservatives and liberals demonstrate a similar level of support for IED policy, economic prosperity is not a Democratic or Republican issue, and the policies do not generate a level of divisiveness that would require a strongly unified government (that is all Democrat controlled or all Republican controlled) to push the policies through the legislative process. This suggests that IED policy is a moderate policy type with a strong enough business component to be attractive to policymakers who identify themselves as Republicans, but is not so strongly business-oriented that it repels moderate policymakers, either Democrat or Republican.

This explanation, however, does not fit as neatly for IEnv policy. Rather, the lack of results in the IEnv policy adoption model suggests that in this policy arena, government institutions are more highly responsive to citizen demands, and not as inclined to assert their own, independent ideology into the process. Or, alternatively, because these agreements are generally more heavily weighted to cooperation and coordination rather than regulation, the need to have strong political institutions to push through legislation is

significantly diminished. In fact, these agreements and arrangements may act as a relief valve, reducing the pressure for a more regulatory approach (or escalation to the federal level). As such, IEnv policy adoption may provide benefits to the entire spectrum of political institutions.

Interest Groups. In the IED policy domain, states act as policy initiators; that is, they are acting on their own behalf pursuing policy goals outside U.S. borders. The aim of these policies is not to influence government decisions but rather to influence the decisions of businesses either local – by providing trade assistance—or foreign—through trade promotion activities. Although states do often facilitate or channel the goals of business organizations, creating economic prosperity is the fundamental motivation underlying state IED policy.

In the context of IED, the state is primarily a facilitator. In other policy arenas such as environmental policy, the state may be part of a complex web of actors and when the federal government or international governance bodies are not directly involved, the state is still acting “in the shadow” of those external regulatory superstructures. IED networks, however, are far less dense. The primary actors are business interests (state-based and foreign), to some extent the foreign government, and the state. Not all segments of society, however, welcome pro-growth policies. Environmental groups, consumer protection and consumer safety advocates, etc., may be active in states that aggressively pursue economic development if the policies are seen as engendering detrimental effects to the environment or society.

The model results demonstrate active support for IED policy by business associations, although the relationship does diminish as the number of associations (relative to population) increase. (This is likely due to the law of diminishing returns. At some point, there is sufficient support for IED policy beyond which increased levels of support become an inefficient use of resources.)¹¹ Business interests are typically very well organized and active in supporting economic development policy, and international economic programs do not generate significant opposition from other types of interest groups. In states that do not have well-organized business interests, however, we would expect a different outcome. Labor unions, while interested in policies that promote economic growth, are supportive of

particular types of economic development policies – those that concentrate benefits (preferably jobs). Not only are international economic development policies outwardly focused, rather than inwardly concentrated, they also generate fear among workers that existing U.S. jobs will be exported.

Interest groups generally did not demonstrate a significant relationship with IEnv policy adoption. Business Associations, however, did, confirming that a strong business presence can lead to an increased focus on IEnv policies. This finding is supported by the results of Ringquist's 1993 study, in which he found that while business groups are often opposed to local and U.S. environmental regulation, states with stronger polluting industries tend to enact stronger environmental policies (Ringquist, 1993).

Additionally, in the realm of IEnv, policies are more focused on information sharing and coordination. An outcome of these efforts is often more consistent with international or transnational regulations, thus creating a more efficient market and leveling the economic playing field, particularly where businesses feel disadvantaged by strong U.S. environmental regulations.

State Fiscal Capacity. State fiscal capacity is represented by each state's tax capacity index (TCI) in the model. TCI is negatively correlated to IED policies – that is, a state's tax capacity index (a measure of a state government's ability to finance its public services) decreases as IED policy adoption increases. As with per capita personal income, states with greater fiscal capacity tend to adopt more discretionary-type policies. On the other hand, states with diminished fiscal capacity would be expected to be seeking ways to increase its economic resources and, contrary to general policy adoption theory, may be more strongly connected to IED-type policies.

Common pool resource (CPR) issues like IEnv policy, however, require a different analysis. States dealing with CPR issues may find that the benefits of unilateral action are outweighed by their costs, both in terms of the future costs associated with a declining resource and the actual costs of repair and/or maintenance of the resource. This suggests that states with less fiscal capacity may seek out partners in an effort to share the financial burdens of a sustainable CPR. The results of the IEnv policy model lend credence to the CPR theory. Tax capacity is negatively associated with IEnv policy

adoption, supporting the theory that states may view these transborder cooperative environmental agreements as a less costly way to accomplish environmental goals. Although states may be more inclined to address these environmental agreements on their own when fiscal resources are available, as fiscal capacity diminishes policymakers look for less costly ways to accomplish (or at least look like they are trying to accomplish) the same goals.

Institutional capacity. None of the institutional capacity variables demonstrated significance in the IED model. This is likely because the governor, the legislature and the bureaucracy all play significant, active roles in the development and adoption of IED policy, and therefore no one institution stands out in the model.

Although the enactment of legislation creating an international trade unit necessarily rests with the Legislature, governors and the state bureaucracy play a significant role in the development of the programs. IED is perhaps the more developed policy domain under consideration in this study. States have been active consistently over several decades, and significant resources both funding and personnel are made available for these programs. These programs have been institutionalized, and nearly every state legislature has enacted legislation to create a department, division or unit devoted to international trade activities. Most state trade programs have reached maturity and are benefited by the stable commitment of policymakers.

Interestingly, institutional capacity variables were not significant in the IEnv model either. Ringquist found in his study that “the best single predictor of [state air quality] program strength in the states is legislative professionalism (Ringquist, 1993: p. 119).” More professional legislatures are more responsive to citizen demands, and have more opportunity and resources to become deeply involved in the complex issues surrounding environmental protection. This increased capacity leads to more thoughtful and creative policy solutions (Ringquist, 1993). In domestic environmental regulation, although some governors are highly influential, governors’ participation generally is “highly idiosyncratic” and inconsistent, and the bureaucracy plays a critical role in implementation of environmental policy, but are less influential in the policy adoption process.

Although I would expect Ringquist's analysis to apply to IEnv policy, there are some differences between international and domestic environmental policy adoption process that may return somewhat varying results. First, although many of these international agreements require formal state legislative action (e.g., enacting a statute), most of these interactions are based on Memoranda of Understanding or some type of formal agreement signed by the Head of State (the Governor) or an agency director. Some are informal agreements based on understandings or verbal commitments made by career bureaucrats (Munton and Kirton, 1996). Because these agreements are so diverse and dispersed throughout state's bureaucratic institutions, it is difficult to know the level of resources available to aid implementation of the agreements. According to Munton and Kirton (1996), the interactions are reportedly more or less continuous actions or regular, often annual, personal contact. It is likely that most of these interactions occur at the administrative staff level, and therefore bureaucratic strength is expected to positively correlated with this type of policy adoption.

I can only speculate from these results that it is precisely because these are such complex interactions and involve all branches – legislators, bureaucrats and the governor – in crafting and implementing agreements that the impact of any single state institution gets washed out. The lack of findings here may also be a result of the federal and international involvement surrounding these issues. Future refinements of this model should attempt to account for the presence of these levels in the policy adoption environment.

External Determinants

Regional diffusion. Interestingly, the results of this model do not support the hypothesis that the adoption of IED policy by neighboring states increases the likelihood of a state adopting IED. Based on these results, it does not appear that states adopt IED as a defensive measure – to compete with neighboring state offering incentives – nor do they “learn” from the positive (or even negative) experiences of neighboring states.

Policymakers are often leery of IED policies for a variety of reasons. These policies often do not bear fruit for many years and may be seen as less important than traditional, locally-oriented economic development policy. Further, citizens may view

international economic policy as being “sexy” rather than substantive and merely a way for government officials to create opportunities for foreign junkets. There are many public officials and private individuals who continue to believe that international economic policy is a matter for the federal government, not the states. Thus, the experiences of other states that have already adopted similar programs can help to bolster government efforts, and can help raise public awareness of the potential value of such efforts. And consistent with the competition theory, states that have not adopted an IED when other states around them have, run the risk of falling behind in business attraction efforts.

The results of the model also do not support the hypothesis that perimeter states – either coastal states or states that share a border with Canada or Mexico – are more likely to adopt IED policy. In fact, the model shows the opposite – the perimeter state variable is negatively related to IED policy. I find this result quite interesting. A possible explanation for this might be that perimeter states have such an active economic development community (public ports associations, economic development organizations, world trade councils, etc.) that the state's role in providing services to encourage international economic development is diminished. Alternatively, perimeter states may have been actively involved in IED for many years and these activities may have been assimilated into other more traditional economic development efforts, while interior states made a more conscious attempt to move from traditional economic development into international economic development.

Whether a state borders Canada is likely to be a major factor in determining the extent of a state's involvement in IEnvP. (This, of course, is strongly influenced by the choice of the dependent variable used in this study.) Based on the findings of Munton and Kirton, these subnational environmental interactions do not appear to have evolved out of a state-level strategic approach to IEnvP, but rather have arisen in response to specific historical situations and needs (Munton and Kirton, 1996). Nor has there been a concerted effort to coordinate the interactions that have emerged (Sanchez-Rodriguez, et al., 1998). The issue scope thus is generally quite limited, addressing the specific issue at hand.

I expected a positive relationship between border states and IEnv and I was not disappointed. States bordering foreign nations are expected to be fully immersed in all types of international policy,

particularly environmental, for the obvious reasons that arise from the mere proximity.

I did not expect to find significant support for *neighboring state adoption*. Many of the agreements included in this analysis are multilateral, involving not only a foreign region, but several other U.S. states as well, and one might intuitively assume that diffusion is occurring. However, concurrent adoption does not have the causal relationship we are looking for in testing diffusion. If the adoption is happening concurrently the subject state is not learning from its neighbor, it is cooperating. The neighboring state adoption variable is lagged precisely to avoid this sort of spurious relationship.

The negative relationship between neighboring state adoption and IEnv policy adoption found in the model results bears this out. Although I was a little surprised to see a significant relationship between IEnv policy adoption and neighboring state adoption, this may suggest that states are acting as “free riders.” If a state borders a resource, such as a lake, the other “riparian” states or provinces cannot exclude that state from exploiting it even if the state does nothing to promote its sustainability. If the neighboring state enters into an environmental agreement with another foreign “riparian” province, in an effort to resolve a transboundary issue like water pollution, the subject state may reap the benefits without participating in the costs.

At any time, if the problem is not resolved or the resource begins to decline, the subject state may enter into a similar agreement. In this case, the adoption would not fit in the “me-tooism” vein that we see in IED in which the policy is adopted as a defensive measure to keep businesses from migrating out, but as an independent actor to resolve environmental issues at home. Thus, again, the diffusion model here simply does not seem to gain support.

Summary and Conclusion

Overall, general policy adoption theory provides a useful framework for identifying key determinants of subnational policy adoption, as the comparative chart below illustrates. The results of this comparative analysis illustrate that citizen demand, interest

Table 3
Comparison of IED and IEnv Policy Adoption Logit Results

Variable	IED		IEnv			
Citizen Demand						
Education	−	**				
Per Capita Income	+	**			+	***
Urban	+	*				
Population						
Racial Diversity					+	***
Citizen Ideology						
Political Institutions						
Gov't Ideology						
Unified Gov't						
Liberal Gov't						
Interest Groups						
Business Assoc	+	**	+	***		
Labor Org						
Civic Org						
Religious Org						
Nonprofit Org						
State Fiscal Capacity						
Tax Capacity Index	−	**	−	***		
Government Institutions						
Governor's Power						
Legisl Professionalism						
Bureaucratic Strength						
External Determinants						
Perimeter State	−	**	+	***		
Neighbor State Adoption			−	**		

groups, and state fiscal capacity all play a role in prompting states to act internationally. These results further demonstrate that the forces at work and the nature of their impact (either positive or negative) may vary depending on the type of policy involved. The results of this analysis, however, point out several key departures from policy adoption theory.

First, the lack of any significant findings for either political institutions, or government institutional capacity, indicate that IED and IEnv policies do not fall within the exclusive purview of Democrats or Republicans, liberals or conservatives. Nor does the governor, legislature or bureaucracy feature prominently in either model. Although the political institutions literature makes a strong argument that, since policy demands are translated into public policy through political parties and government institutions, these institutions must be significant factors in the policy adoption process.

While this may indeed be true for policy adoption in general, the results here demonstrate their lack of significance in state-level foreign policy adoption.

The second interesting result is the lack of support for diffusion of policies within these models. This suggests we need to look beyond the “me-tooism” theories to explain state adoption of foreign policy. It also suggests that states may not learning from their neighbor’s experiences, or perhaps they are learning from others and deciding *not* to adopt similar policies. These results may mean that if learning from the experience of others, that process is occurring through national organizations or states are looking to other states with similar characteristics rather than simply looking to their neighbors. In any event, these findings suggest there may be an opportunity for states to improve their foreign policy efforts by more focused attention on best practices in the region.

Finally, negative correlations between fiscal capacity and both IED and IEnv policy adoption demonstrate that the “discretionary” nature of these policies may be less relevant than in other domestic policy arenas. However, the rationale for these results is quite different. As stated above, economic development policies are designed to improve the economic conditions of the state. Therefore, as a state’s fiscal health declines it stands to reason there would be a greater push for economic development programs of all types including international economic development. Environmental policy, however, costs money with little resulting direct economic benefit. As a CPR issue, cooperation and joint-problem solving with foreign neighbors may be a preferred strategy for recovering or managing environmental resources. This is particularly true when a state’s fiscal capacity is stretched because the state can take advantage of cost-sharing opportunities.

Appendix 1

EHA Model of Subnational Foreign Policy Adoption Key Determinants

DEPENDENT VARIABLES		
	Measurement	Source

Policy “Event”	International Economic Development	Creation of an international economic development division/unit (dichotomized dummy variable)	State agency staff, statutes
	International Environmental Policy	Entry into international/transnational environmental agreements (dichotomized dummy variable)	Munton, Don and John Kirton environmental policy data set
INDEPENDENT VARIABLES: Internal Demand			
<i>Citizen demand</i>	Education	Number of individuals graduating from high school each year, per 10,000 population	Digest of Education Statistics
	Per capita personal income	Per capital personal income, measured in the previous year	U.S. Dept of Commerce, BEA
	Level of urbanization	% of a state’s population residing in a county with a population of 50,000 or greater	U.S. Census Bureau
	Population	Total state population	U.S. Census Bureau
	Racial diversity	Proportion of state residents who are non-white	U.S. Census Bureau
	Citizen political ideology	State citizen ideology index, 1 (conservative) to 100 (liberal)	Berry, et al. (1999)
<i>Political Institutions</i>	Unified Government	Dichotomous variable, 1 if governor and both state houses are controlled by same party, 0 otherwise	Book of the States
	Liberal government	Number of democratically-controlled institutions	Book of the States
	Government ideology	Government Ideology scale (provides measure of liberalism on a scale of 1 to 100)	Berry et al, 2001
<i>Interest Groups</i>	Number of organized groups	Overall number of organized groups	County Business Patterns
	Interest-specific groups	Number of business associations, labor, civic, religious, and nonprofit organizations.	County Business Patterns
INDEPENDENT VARIABLES: Internal Capacity			
<i>State fiscal capacity</i>	Tax-capacity index	Measures the ability of the government to finance public services.	Berry and Fording, 1997
<i>Institutional Capacity</i>	Legislative professionalism	Index combines information on legislative compensation, expenditures on staff, length of session	King index, calculated by author, data from Book of the states

	Gubernatorial Power	Combined measure of the governor's veto, appointment, and budget-making power, and the governor's tenure potential.	Dometrius index, calculated by author, data from Book of the States
	Bureaucratic Strength	Number of state employees per 1000,000 residents	Book of the States
INDEPENDENT VARIABLE – External			
Regional diffusion	Neighboring states adopting	Number of neighboring border states that have adopted a similar policy prior to the year of measurement	Berry and Berry
Shared border	Perimeter states	Dichotomous variable where a state adjacent to an international border or international waters is coded 1 and 0 otherwise.	Various U.S. maps

Notes

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1. Many authors have struggled with creating a new language to describe exactly what it is that subnational governments are doing. For example, Duchacek (1990) and Soldatos (1990) offer the terms paradiplomacy and microdiplomacy in an effort to distinguish subnational foreign policy from national foreign policy.

2. Earl Fry (1998) offers a detailed discussion of the emergence of international economic development as a state-level policy issue in his recent book, *The Expanding Role of State and Local Governments in U.S. Foreign Affairs*. For a more detailed look at the states' international trade development system, see Carol Conway and William Nothdurft's (1996) *The International State*.

3. North Dakota is the exception. According to officials, the state has not institutionalized its international trade efforts. Kentucky adopted in 1996.

4. John Kline (1983) provided an excellent overview of state-level international policy dimensions in *State Government Influence in U.S. International Economic Policy*. Neal Peirce also provided insight into state-level international economic development within the context of economic development in general. See, for example, Neal Peirce, Jerry Hagstrom, Carol Steinbach, (1979) *Economic Development: The Challenge of the 1980s*.

5. EHA is becoming increasingly popular as a method for identifying the key determinants of policy adoption and diffusion. Allison (1982, 1984), Yamaguchi (1991) and Box-Steffensmeier and Jones (1997) provide useful introductions to EHA analysis. Berry and Berry (1990, 1992, 1994), Mintrom and Vergari (1998);

Mooney and Lee (1995); and Cable and Feiock (1998) provide useful examples of the application of EHA to specific policy areas.

6. Munton and Kirton's data set contain the results of a survey of over 4,000 Canadian provincial officials. The survey requested information on state-provincial interactions, defined as "currently operative processes in which there is direct communication between state and provincial officials on an on-going basis." For the purposes of this study, an obvious weakness is the lack of similar survey results from American state officials. Unfortunately no comparable study of American state officials has been conducted.

7. For the purposes of this analysis, the following states are included in the "northern states" data set: Connecticut, Delaware, Idaho, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, Montana, Nebraska, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington, Wisconsin and Wyoming.

8. Keep in mind, however, that this model uses "year of adoption" rather than "number of agreements adopted." Therefore, even though a state may have adopted three IEnv policies in 1985, those adoptions will only be captured once in the dependent variable – in 1985 the variable would be coded "1."

9. Other variations on this measurement were constructed and tested in the model. For example, a variable was created in which the miles of border were used, rather than the dichotomous 1/0. The results of these alternatives were uninformative and therefore I use the more straightforward approach discussed above.

10. The model was originally designed to include a variable for income inequality. Because gini coefficient data are only available back to 1977, the model was modified to a 1977-1995 time-period to determine the effect of income inequality. The variable did not reach levels of significance and therefore the results are not presented here.

11. Mancur Olson (1982) argued that higher numbers of interest groups lowers the rate of economic growth in a state because although they may be "pro growth" there is no incentive for interest groups to pursue anything beyond their own narrow self-interest. Thus, they become an impediment to policies that affect business broadly. Others, such as James Dean (1983) argue that business groups are facilitators of economic growth policies while labor unions, professional associations, environmental organizations, etc., are antithetical to growth policies. Regardless of which side of the argument is being put forth, both would suggest a correlation between interest groups and IED policy adoption.

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Biographical Sketch

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Over the past 15 years, Jill has worked in state government administration and policy analysis and she currently serves as legal counsel and policy analyst to the Washington State House of Representatives Transportation Committee. She is a member of both the Washington State and Florida Bars and has practiced as a private attorney in the areas of business law and civil

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