

Local Planning within a Global Economy

Lee Padrick and Thomas Richter

Division of Community Assistance, North Carolina Department of Commerce

The international trend toward conglomeration has had tremendous effects on local economies. The general store in small towns, prevalent twenty years ago, has given way to the big-box retail store and the strip shopping center. The diner has been replaced by the fast-food restaurant with a drivethru window. Even agriculture has gone through a similar restructuring; the small family farm has been replaced with high-end agribusiness. Further, the majority of North Carolina's workers have shifted from agricultural professions to the service industry and current telecommunications allows local service businesses and industries to market themselves globally and compete on a global platform.

Working in rural communities provides one with a good understanding of the mobilization of capital. The central business districts of many of North Carolina's towns are decaying or struggling financially, while the strip shopping centers are proliferating on the outer periphery. Political leaders in these communities search for options that promote growth of the local tax bases and sprawling new developments provide local governments with the needed revenues to keep existing services without budget cuts and/or tax hikes. Additionally, the growth of local tax bases allows communities to stabilize or reduce their tax rates, a key component in the fierce competition among communities for business and industry. But how is the global economy affected by our work with small, rural towns' land use plans and zoning ordinances?

The North Carolina Department of Commerce, Division of Community Assistance provides technical assistance to local governments and regional organizations with economic development, revitalization efforts, and growth management. Additionally, a significant amount of the workload is devoted to developing regulations as tools to

implement planning initiatives and working within the parameters of existing federal, state, and local restrictions to promote sustainable economic development within the State. Traditionally, the most frequently used tool at the local level is the ubiquitous zoning ordinance.

Land use planning, in the form of zoning, subdivision regulations, watershed protection, or floodplain ordinances, has a tremendous impact on economic development, land use practices, and public expenditures. Such regulations are a two-edge sword, however, that brings advantages and disadvantages. Without such controls in place, the free market would possess unlimited discretion over the development of land within a community. An absence of controls would permit 10,000 investments in land and development to be made by 10,000 individuals, guided solely by profit-maximizing (least initial cost) motives, with no policies in place to guide this development. The impact such a policy would have on community utilities, services, and property values would reverberate up the hierarchy of governmental levels and potentially have chaotic or catastrophic consequences. The costs of public services would skyrocket while the revenues generated through property taxes would diminish, thereby making local governments financially vulnerable. All communities have and enforce land use regulations that affect site improvement costs. Unfortunately, regulations also impact and increase production costs. That being said, the community with the least amount of local regulation in theory possesses an advantage over other communities competing for new business and industry.

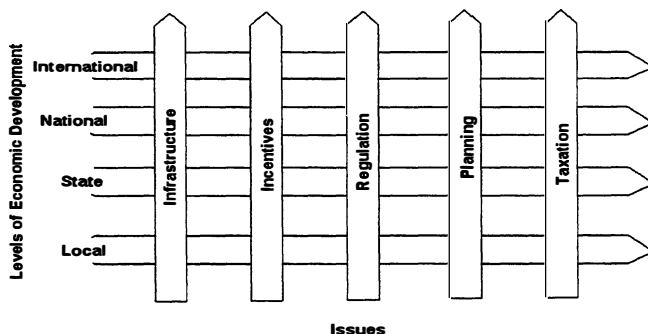
The task of developing local level decisions in response to global economic changes immediately brings to mind the work of former Governor and United States Senator Terry Sanford. Senator Sanford, in

Storm Over The States (1967), used the "picket fence" metaphor to explain intergovernmental relations between levels of bureaucracy. This approach can be applied to the relationship between the local and the global economic structures (see the accompanying figure). At the local level, various actors work to promote economic development and provide services to citizens. Infrastructure, such as roads and utilities, is primarily a local function. Cities and counties spend a significant portion of their annual budgets on the extension or maintenance of infrastructure needs and the placement of roads or utilities can play a major role in the location decisions of business and industry. Additionally, local governments routinely provide business and industry with incentives, in the form of tax deferral or land, to locate within their jurisdiction. Local regulations can also greatly affect location decisions; if the community exercises zoning, the property must be zoned to allow a particular business or industry as a permissible use. Communities must set aside areas within their jurisdiction for residential use to support the workers of the businesses and industries they are attempting to lure to the area. These residential areas must be situated so that they are a significant distance from the areas zoned for commercial and industrial uses to allow residential properties to appreciate in value without suffering the negative externalities of the commercial and industrial developments. Local

governments must plan for future roads, utility extensions, and growth patterns to accommodate the potential new business and industry. Finally, taxation at this level, in the form of personal and real property taxes, funds most city and county services. Achieving a balance between good services and a "reasonable" tax rate (one that may encourage or discourage capital investment) is the difficult task of local elected officials.

The state plays a somewhat different role than the local level. The state provides the cities and counties with monies to extend and upgrade local roads and utilities, while funding projects of their own, such as transportation needs and regional economic development projects. Incentives offered by the state to business and industry take the form of funds extended to the local governments to attract economic development and stimulate community growth. The state, with local government participation, invests in major facilities such as the GlobalTransPark, port improvements, free trade zones, and the placement of interstate-quality roads, has much to do with economic viability of local business investment. For the investor considering the choice between Silicon Valley or Research Triangle Park, the answer can be found at the bottom line. Cisco Systems has decided that North Carolina makes more sense than California. Mountain Air said "yes" to the Global TransPark in Kinston. The state also assumes the role of the regulator and

Relationship Between the Local and Global Levels of Economic Development



enforcer of state policy and further gives the local governments the enabling powers necessary to regulate at the local level. Planning at the state level attempts to assist the future budgeting of big-ticket items, such as highways. Taxation, in the form of income taxes and sales taxes, along with various user fees/licenses associated with state programs, provide the majority of funds necessary to finance state activities.

At the national or federal level, the government subsidizes infrastructure needs through the allocation of federal monies to the state levels for the improvement of infrastructure. Incentives are provided for economic development and trade at the national level by the use of taxing and financial arrangements and through the allotment of various grant programs, in addition to interstate agreements. The federal government further regulates land use and economic activity by the numerous federal agencies enforcing various federal statutes. Planning at the national level is currently conducted mainly by bureaucratic agencies; a national planning agency was abolished in the 1940s. Finally, taxation at the national tier manifests itself in the form of federal income taxes. This approach is geographically indiscriminate with our borders, but is becoming critical in our globalizing economy.

The international level of the "picket fence" and its interaction with the five

"fenceposts" results largely from a synergy of lower level actions and reactions. International infrastructure, incentives, regulation, planning and taxation are all components of trade agreements, treaties, and tariffs. The interconnectiveness of the hierarchical tiers is necessary for the growth, advancement, and progress of national and global markets. Moreover, the "fenceposts" represent issues that must be considered at all levels and at the appropriate scale.

In retrospect, local government planning does indeed respond to and have a significant effect on the global economy. The policies advocated by local officials in decision-making roles will influence locational and marketing decisions made by international conglomerations and, in doing so, will have effects on global markets. Local land use decisions impact many sectors of the global economy, such as real estate, utilities, and manufacturing. Moreover, current intensive development standards require ever-increasing distances between incompatible land uses in an increasingly crowded world. In North Carolina, development standards, in accordance with the bulk of state enabling legislation, is a local government responsibility. Tip O'Neill, former Speaker of the House of Representatives, once said, "All politics is local." Cannot the same be said of economic development?