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WHAT MOTIVATES CALIFORNIA'S GLOBAL PROMOTION EFFORTS?

Lee Axelrad

Introduction

State governments in the U.S. have increasingly been promoting their business climate and products abroad. The motivation behind these efforts at "global promotion" might seem obvious to persons acquainted with export base theory. According to this theory, growth in a region's total economy—usually measured in either jobs or income —is a function of growth in its export or "basic" sectors; one builds an economy by building exports.

Export base theory has been a mainstay of economic development literature, and students of economic development theory probably would not be surprised to see state governments across the country engaging in global promotion. Thus, policy-makers in this area appear to be applying a well-established theory to the practical problem of enhancing economic development.

This article explores the hypothesis that there is more behind the new state-level emphasis on global promotion than merely the application of an accepted theory to practice. The hypothesis is that this new emphasis is also driven by adaptations of state-level governments to changes in political circumstances. With changes in the power of certain constituencies have come shifts in the concerns which are addressed by state governments.

More specifically, this article advances the hypothesis that new global promotion efforts by the State of California have been primarily a result of changes in the power of what may be called "extra-national interest groups"—defined here as exporters, importers, and others with a stake in California's global trade relationships. California's global promotion efforts were instituted to help resolve a crisis of confidence that existed between these interest groups and the state's government. In other words, global promotion in California has been largely an attempt to legitimize state government in the eyes of extra-national interest groups.

California's global promotion efforts were an attempt to bring extra-national interest groups into the fold of state government. The need for the state's government to do so will be explained in terms of a global dynamic to which many other governments may also be subject. While California may not be a typical state, its experience may nonetheless be instructive for those trying to understand the genesis of economic development policies in other states.

The premises of this article's argument in its broadest form are as follows:

- The globalization of the economy generates changes in the relative power of economic groups and political constituencies.
- These changes alter the foundations upon which governments have built their legitimacy.
- Governments respond by instituting policies and programs which amount to attempts to adapt to these changes and revitalize their legitimacy.[1]
- The specific forms of these adaptations will vary with the specific social, political, and economic contexts in which they are made.
- In California, the significance of interest groups in the political process made the state government particularly responsive to the rise of extra-national interest groups.

This article interprets the genesis of certain programs of California's state government. The article does not, however, recount the specific political negotiations which preceded the creation of these programs, nor does it evaluate their effectiveness.[2] Rather, it relates the rise of these state government programs to the rise of certain constituencies.

In Part One, the nature of global promotion programs will be clarified, and factors influencing the legitimacy of California's state government will be outlined. In Part Two, state programs and institutions will be examined, including the California State World Trade Commission, the Export Finance Program, the Internationalization of State Government, the Foreign Offices, and the Office of Foreign Investment.

PART ONE

Ostensible Goals, Extent, and History of Global Promotion Programs

State governments have two ostensible goals for their global promotion programs: expanding exports and attracting investment. All types of exports are promoted, though high-value-added products are often emphasized.

On the other hand, not all types of investment are pursued. Usually, only "greenfield foreign direct investment" is sought. "Greenfield" investments are new plants or offices which bring new jobs to a region. This is distinguished from "mergers and acquisitions," which merely place existing jobs under the control of foreign owners. "Foreign Direct Investment" (FDI) is foreign ownership and active managerial control of productive assets; this is the case when Toyota owns and operates an auto plant in the U.S. FDI is distinguished from "foreign portfolio investment," foreign ownership of stocks, bonds, and other paper or electronic assets.

Global promotion programs are widespread and growing. Budget figures indicate their expansion: in the U.S., "the states alone spent more than $40 million in 1986 to attract FDI and to promote international trade" (Glickman and Woodward 1989: 227). By 1988 they were spending approximately $60 million (National Association of State Development Agencies 1988). In the State of California, funding for global promotion increased from $1.1 million in fiscal year 1984-85 (State of California, Assembly Committee on International Trade 1987: 130) to $15 million in fiscal year 1989-90 (O'Connell 1990: 13).

The State of California first established an agency to promote international commerce in 1947. This agency, the Office of International Trade, essentially consisted of a single appointee of the Governor. The budget was small, and the agency did not have much impact.[3]

For the next 25 years, California demonstrated "an on-again, off-again commitment" to global promotion. This is exemplified by the fate of the state's first Foreign Offices. California opened an office in Mexico City in 1964, in Tokyo in 1965, and in Frankfurt in 1967. None of these lasted for very long. The Mexico City office was closed in 1967, and both the Tokyo and Frankfurt offices were closed in 1969 (State of California, Assembly Committee on International Trade 1987: 130-132).

In the past decade, by contrast, state government in California has demonstrated an increasing commitment to global promotion. "The beginning of the modern era [was] 1982, when the Legislature enacted a measure authored by Assembly Speaker Willie Brown to create the California State World Trade Commission [CSWTC] . . . replacing the state's moribund Office of International Trade" (O'Connell 1990: 13). Between 1982 and 1990, California's state government instituted a wave of programs and policies associated with global promotion.

The Need for Legitimacy-Building Measures

The new commitment to global promotion in 1982 was a response to California state government's weak legitimacy in the eyes of extranational interest groups. A member of the CSWTC, describing conditions prior to its creation, testified that:

> By the end of the Brown administration, the international trade community in California had virtually abandoned any hope that state government would ever play a useful role in helping California come to grips with the increasing internationalization of its economy . . . . Simply stated, state government had no credibility within the international business community (State of California, Assembly Committee on International Trade 1987: 64).

This lack of credibility gave rise to a high level of frustration among members of the international business community.[4] A political constitu-

ency frustrated with its representatives could withdraw support. This would pose two concrete threats to a state government: elected politicians could lose future elections, while civil servants could lose funding and other kinds of support for their programs.

The frustration of the international business community and the prospect of a withdrawal of their support mattered to California's state government because this constituency was gaining in economic power. This was visible in the increase in the share of the state economy derived from extra-national sources.

One portion of the state economy in which extra-national interest groups are active is world trade. In California,

> the value of goods passing through the State's ports has more than quadrupled in the past two decades [1966 to 1986], soaring to more than $100 billion in 1986. Moreover, by the year 2000, exports and imports together are expected to account for one-quarter of the State's total output (State of California, Assembly Committee on International Trade 1987: 130).

Another portion of the state economy in which extra-national interest groups can be found is FDI. Employment by California affiliates of foreign investors increased 112.5 percent from 1977 to 1981 (State of California, Assembly Committee on International Trade 1987: 17). As of 1985, FDI had created approximately one million jobs in California, or 8 percent of total employment in the state (Mentor International 1985: 4). Thus, world trade and FDI are both making substantial and increasing contributions to California's economy.

It should not be surprising that world trade and FDI are increasing together; they are closely related to one another. Increased exports are "flows" which accompany the expansion of multinational corporations (MNCs) throughout the world. Approximately one third of all world trade consists of purely internal transfers between subsidiaries of MNCs (Amin and Goddard 1986: 42). In other words, both exports and FDI are aspects of the "globalization of the economy."

In sum, the globalization of the economy has led to an increase in the share of California's economy which derives from extra-national sources. With greater economic clout, the interest groups associated with this share of the economy have become potentially more important to political outcomes than they previously were. Yet, prior to the creation of the California State World Trade Commission in 1982, these groups felt alienated from state government. This alienation was a source of tension in need of resolution, in part by state action.

Additional significance is given to the rise of these economic interest groups by the fact that, in the State of California, interest groups in general are more relevant to political outcomes than are political parties. Indeed, "to the extent interest groups have replaced political parties as major vehicles for interest articulation in the policy process, they are more capable of representing emerging economic interests" (Bradshaw and Bell 1987: 2).

Enhancing Legitimacy by Adopting a Constituency's Logic

In California, extra-national interest groups are organized into associations such as the California Council for International Trade, the Foreign Trade Association of Southern California, the Export Managers Association, the Chambers of Commerce, and the Southern California Coordinating Council.[5] In addition, employees, suppliers, customers, and stock-holders of California affiliates of foreign-owned companies probably represent an increasing proportion of the membership of other organized interest groups active in California politics.

Extra-national interest groups represent individuals and enterprises that share an "external logic of production." In other words, their livelihoods are derived from markets which are primarily influenced by decisions taken outside of the local economy. Having a significant share of one's economy tied to extra-national factors—i.e. the decisions of external actors—was previously the general condition of colonies and "neo-colonies." With the globalization of economies, this condition has been extended to advanced industrial countries as well.

What is new is not the fact that U.S. state economies are linked to external markets. Rather, what is new is the fact that these external markets are located not merely in other states but also in other countries. As California's fate is increasingly tied to global markets, the relevant economic ties of California's governments and businesses extend beyond the nation's borders.

To make constituents believe that decision-makers will act in their interests—i.e. to win legitimacy and "the consent of the governed"—governments must demonstrate that they understand the economic logic of production which shapes constituents' lives. To do so, governments may adapt their personnel policies and modify their organizational structure. California state government, for example, has not only created new trade programs but has also staffed them with former business people from the private sector, not with career civil servants. In this manner, California's state government attempted to display an understanding for the logic of production which determines the livelihoods of members of extra-national interest groups.

In order to maintain credibility, governments must also represent themselves as the producer of benefits to society, even those which occur without government agency. Consequently, politicians often attempt to preside over "natural" processes. Governments try to take credit not only for planting the crops, but also for making it rain.

In a capitalist economy, governments must be perceived as a cause of capital accumulation, as its symbolic enhancers. One way of accomplishing this is for governments to indeed become actual enhancers of capital accumulation. However, for governments in general, getting credit is far more important than deserving credit, and often much easier.

Before the 1980s, California state government had failed to make itself visible in the international economy; it had failed to be seen as a guardian of California's international economic relationships. Because it had not become the symbolic enhancer of capital accumulation for extra-national interest groups, the government did not win their support and consent. Thus, prior to the creation of the California State World Trade Commission in 1982, the extra-national interest groups felt alienated from state government and its policies.

PART TWO

With the globalization of the economy came a shift in the foundations of government legitimacy. The response of California's state government to this shift was multifaceted. The government instituted the California State World Trade Commission and the Export Finance Program; it attempted to internationalize every unit of state government; it recreated the state's foreign offices; and it expanded the mandate of the Department of Commerce.

The California State World Trade Commission: 1982

According to state promotional literature, the California State World Trade Commission (CSWTC) is "California's leading representative in the international economy" (State of California, Commission for Economic Development 1988: 74-75.)." Established in 1982, the CSWTC is composed of 11 members, the majority of whom are appointed by the Governor. The commission pursues the following activities:

- *Trade Development:* participation in international trade shows, and operation of an Automated Trade Lead System;
- *Trade Policy:* employment of a trade representative in Washington, D.C., and other types of advocacy to government;
- *Research and Information:* production of various trade-related statistics and studies for the Governor, the Legislature, and the CSWTC itself;

- *Export Finance:* operation of an overseas California Export Finance Program designed to "make California exporters more competitive internationally by improving their financial capabilities. The program offers financial counseling, training, and research services, as well as guarantees to help exporters secure loans from commercial banks" (p. 75).

The CSWTC displays the state government's new understanding of an external logic of production: this government entity is staffed with persons whose previous professional lives were dictated by the particular nature of the business of international trade. The commissioners and the staff of the CSWTC are recruited from the private sector (State of California, Assembly Committee on International Trade 1987: 53) and are exempt from civil service requirements. For the most part, they are people who have had business experience in the field of foreign trade.[6] This hiring policy demonstrates that the government will be responsive to the constituents from which its employees are drawn.

The California State World Trade Commission, like other programs introduced in its wake, was created specifically to address the government's failure to win legitimacy in the eyes of extra-national interest groups. It enabled the government to become the symbolic enhancer of capital accumulation by providing something to which politicians and bureaucrats could point when taking credit for California's success in the international economy. Yet the CSWTC also made the government an actual enhancer of capital accumulation by virtue of economic benefits derived from its Export Finance Program.

The Export Finance Program: 1985

The Export Finance Program was created and placed under the control of the CSWTC in 1985.[7] Jock O'Connell, former trade advisor to the California Commission for Economic Development, has pointed out that the Export Finance Program is one of the few elements of California's global promotion efforts which actually enhances the accumulation of capital:

> From a macroeconomic perspective, termination of the state's export-promotion programs would not have a statistically significant impact on California's $40-billion-a-year export trade. Similarly, state government's efforts to convince foreigners to invest in California's economy have no statistically appreciable impact on the billions of dollars of foreign investment funds flowing into California each year . . . An exception is the Export Finance Office, which makes a persuasive case that, [in the five years] since its inception in 1985, it has supported more than $160 million in export sales that probably would not otherwise have occurred. Similar claims on behalf of other programs are generally much less convincing (O'Connell 1990: 16).

Thus, an element of the state's global promotion program does actually enhance capital accumulation and economic development, thereby also enhancing the government's legitimacy. Significantly, however, O'Connell's comments indicate that the bulk of the state's efforts do not actually increase capital accumulation in any direct fashion.

This does not mean that the state's programs are somehow inefficient or ineffective at accomplishing their aims. The interpretation being offered here is that these programs are primarily directed at targets other than actual economic development. In O'Connell's words, "by emphasizing the importance of expanded exports and demonstrating the state's earnest commitment to this end, they advance a crucial public policy interest" (p. 16).

The effectiveness of California's global promotion programs must be measured in relation to their true objectives. In accord with the notion that the majority of global promotion efforts have been aimed at legitimacy-building, the standard of effectiveness might be construed as something akin to "constituent satisfaction."

Internationalization

Another program which demonstrates that California's state government is in sympathy with extra-national interest groups is the Internationalization Program. This program:

> has concentrated on making all units of state government potential agents of international trade and investment . . . As a program, "internationalization" refers to efforts to increase state government's awareness that economic self-sufficiency as a single state is a parochial perspective which must gradually be replaced with an international one (State of California, Assembly Committee on International Trade 1987: 133).

The attempted internationalization of every unit of state government publicly demonstrates the profoundly different manner in which the state's government now perceives its constituents' interests. With this program, the growing importance of extra-national interest groups in the California economy was translated politically in a re-orientation of state institutions.

Foreign Offices: 1987

California presently has five foreign offices: one each in Tokyo, London, Mexico City, Frankfurt, and Hong Kong. The first of these new outposts, the Tokyo office, opened in 1987. At that time approximately 35 states already had permanent offices in Japan (Glickman and Woodward 1989: 234).

The foreign offices of the State of California serve the two main purposes of symbolic and actual enhancement of capital accumulation. Foreign offices symbolically enhance capital accumulation by means of messages which they communicate to constituents both in California and abroad. To constituents in California, the offices appear to be promoting exports and facilitating the recruitment of FDI. To this end they engage in a variety of tasks. They attempt to be a "one-stop shopping center" for foreign buyers of California goods, a "reference center" for California firms, and a direct sales marketing agency for California goods (State of California, Assembly Committee on International Trade 1987: 10).

The results of these efforts are generally unquantifiable in economic terms. It is difficult to tell whether a given deal, which occurred after principals were exposed to foreign office promotions, would have occurred under different conditions. For the government's purposes, however, it is sufficient merely to have an institution in place which can claim credit for trade and investment deals regardless of its true effect on them.

To constituents abroad, the foreign offices symbolize the attitude of the government of the State of California.[8] The foreign offices' role is not to ensure that the state is in fact a good place to do business; that would be beyond their power. Rather, the foreign offices ensure that the state is seen as making an effort to be attractive.

Foreign purchasers of California products and foreign owners of U.S. affiliates already know first-hand the real benefits of participating in the California economy. Many of these actors are, however, concerned about the security of their investments. Foreign buyers need reassurance that they will retain access to California products and that open markets abroad are appreciated in California. Foreign owners of U.S. affiliates need reassurance that they will remain welcome in California and that conditions there will remain conducive to their activities.

To the extent that the foreign offices' reassurances lead to continued trade and investment, the offices are engaged in the actual enhancement of capital accumulation. Primarily, however, the foreign offices seem to be a way of showing foreign constituents how important they are to California's state government. In this sense, the foreign offices merely work to strengthen important relationships. As has been noted, the encouragement of continued trade seems to be within the portfolio of the CSWTC. The encouragement of continued investment, on the other hand, seems to be within the portfolio of the Office of Foreign Investment.

The California Department of Commerce, Office of Foreign Investment: 1988

The promotion of FDI in the U.S. is a relatively new phenomenon: "In 1969, only ten states reported spending any state money to attract FDI. A decade later, forty-seven states had active promotion programs" (Glickman and Woodward 1989: 233). The California Department of Commerce established its Office of Foreign Investment in 1988, officially sanctifying the extension of the Department's mandate from the attraction of domestic direct investment to the attraction of foreign direct investment (O'Connell 1990: 14). Like the other programs described above, the Office builds the legitimacy of California state government by symbolically and actually enhancing capital accumulation.

FDI promotion efforts by the Office of Foreign Investment are symbolic because they do not actually attract investment. Foreign firms decide to locate in a particular U.S. state for reasons other than the promotional efforts of that state's government:

> Empirical work dating back to the 1960's suggests that most promotional activities are insignificant determinants of site selection decisions, especially when statistical tests include access to markets, resources, labor force characteristics (quality, availability, cost), and other important determinants as control variables (Ledebur and Woodward 1990: 224).

Access to markets is a prime determinant of FDI location decisions. This fact is reflected in global patterns of investment. Indeed, cross-investments between advanced countries are more prevalent than investments from advanced countries to the developing world: "In 1971, the U.S.A., the U.K. and West Germany were responsible for over 70 percent of global FDI, and the respective amount of each country's manufacturing FDI directed towards the advanced countries were 82.3 percent, 82.0 percent and 72.2 percent" (Amin and Goddard 1986: 43).

FDI promotional activities are increasing despite the fact that access to markets is vastly more important than state promotions. This increase seems to follow from the perceived need, on the part of governments, to demonstrate to potential investors and other constituents that the bureaucracy is doing everything it possibly can to attract new investment.

Attempts by California state government to attract FDI actually do enhance capital accumulation, but not by attracting greenfield investment. Rather, these attempts facilitate investment in the form of mergers and acquisitions and improve conditions for firms already located in California. Promotional activities are unlikely to produce greenfield investment because the supply of transplantable firms is very small (Jacobs 1985: 102). This is reflected in the fact that FDI does not

produce many new jobs in the U.S.: "From 1980 to 1987, foreigners created only about 10,000 to 15,000 jobs each year nationwide in new (or greenfield) plants, the objects of so much competition among the localities" (Glickman and Woodward 1989: 226)."

In reality, the majority of FDI is not greenfield investment but mergers and acquisitions: "Excluding Canada, in 1979, acquisition entry accounted for 65% of all FDI transactions by the six largest investing nations in the U.S.A. with multinational corporations from the U.K. (76%) and France (81%) showing a particularly marked preference for inward investment mergers" (Amin and Goddard 1986: 49). State global promotion programs, thus, are unlikely to attract greenfield investments. State governments claim that they are making a bed for "greenfield investors"; however, "mergers and acquisitions investors" usually wind up laying in it.

Efforts to attract FDI also actually enhance capital accumulation by putting the government into an accommodating mode toward business in general. Firms already located in the State of California benefit from efforts to make the state more appealing to foreign investors because, by doing so, the government provides advantageous conditions for capital accumulation. This is the case, in particular, with respect to wages:

> By making investment conditional on the level of wage costs transnationals may also be able to gain the cooperation of the state in securing the appropriate environment in which wage costs will tend to be held down. By threatening to export investment, profits taxes can be held down and subsidies for investments can be raised. Such threats will stimulate competitive profits tax cutting and competitive subsidization of investment by national governments which must ultimately work in favour of a redistribution towards profits (Amin and Goddard 1986: 36).

Once again, the government's promotional efforts are increasing, not because they are influential in the location decisions of foreign firms, but rather becauaw they symbolize the government's commitment to the enhancement of capital accumulation. These efforts may incidentally also create conditions which are actually conducive to capital accumulation. The firms most likely to take advantage of these conditions are those which are already located in California or those which seek to purchase firms already located in California.

Can This Interpretation be Generalized?

In the above account, the increase in California's global promotion activities has been attributed to a global dynamic. California's renewed commitment to global promotion in the past decade has been depicted as a specific adaptation to the general phenomenon of the globalization

of the economy. Those elements of the analysis which are unique to California have not been particularly highlighted.

Do all advanced industrial economies adapt to the globalizations of economies in the same way? The premises presented earlier may help to separate the portions of the interpretation which are unique to the California case from those portions which may also apply elsewhere. According to these premises, all governments have to institute policies and programs to shore up their legitimacy in the face of political shifts brought about aby the globalization of the economy. This need for change is proportional to the political clout of interest groups which are involved in economic activities directly affected by the process of globalization. The more powerful these groups are in the political process, the harder the state will work to find legitimacy in their eyes.

In other words, the case of California can be generalized to other states to the extent that their governments are responsive to the interests of specific groups. Scotland's recent experience with global promotion, for example, may be analogous to California's. In that case, the Labour Party was forced to react to the threat that a shift from domestic to global linkages was posing to its electoral base. The threat to the state's legitimacy was, first, a threat to the electoral base of the Labour Party, and second, the shift in Scotland's economic linkages from domestic to global markets (Naylor 1984).

Conclusion

That global promotion programs are the products of political maneuvering does not mean that these programs are without benefit to the citizenry. The foregoing analysis has focused on issues surrounding the origins of global promotion programs, not on the advisability of their continuation.

Some recent evidence does, in fact, indicate that foreign export promotion may be a beneficial tool for regional economic development.[9] Other evidence indicates that FDI attraction—particularly when it involves offering substantial concessions and incentives—is a tool which should rarely be used, and then only with great restraint (Ledebur and Woodward 1990). It is important to note, however, that almost all such evidence on the effectiveness of global promotion programs has been generated very recently. The programs themselves were initiated without the benefit of such findings.

In the absence of performance data, a justification for new and expanded global promotion programs is always readily available in well-established economic development theories. However, numerous examples could be provided to demonstrate that theoretical soundness is neither necessary nor sufficient to motivate government actions.

Sound theory may be convincing, but it is rarely the motivation for politicians' behavior. This article has offered an interpretation of the political motivations, rather than the theoretical justifications, for the global promotion efforts of California. It has advanced the hypothesis that these efforts came in response to the emergence of interest groups which, first, hada stake in the extra-national economy and, second, initially considered themselves alienated and under-represented by California state government. The global promotion programs of California were instituted primarily to help build the legitimacy of the state government.

NOTES

[1]See Gordon L. Clark and Michael Dear, "The State in Capitalism and the Capitalist State," in *Urbanization and Urban Planning in Capitalist Society*, Michael Dear and Allen J. Scott, eds. (Methuen, 1981), pp. 45-62. See especially p. 59: "[T]he form of the state can be expected to alter as conditions of capital accumulation change." On the role of government in enhancing capital accumulation, see also Blair Badcock, *Unfairly Structured Cities* (Oxford: Basil Blackwell, 1984), especially pp. 67-74, for a discussion of "five distinctly Marxist conceptions of the state" and for further references.

[2]The research for this article was conducted primarily through the analysis of government documents and published research. Discussions with a few persons in California's "international trade community," however, tend to corroborate the interpretation represented here. Despite repeated attempts by the author, precise data on the membership trends and composition of organizations representing extra-national interest groups in California could not be obtained. This would be a valuable area for further research.

[3]Personal communication, Janice McEntee, Manager of Trade Policy, California State World Trade Commission, May 13, 1991.

[4]Personal communication, Janice McEntee, May 13, 1991.

[5]This last group, the Southern California Coordinating Council, is an assembly of roughly 35 trade clubs and associations, including trade-oriented government agencies, located in Southern California.

[6]Personal communication, Janice McEntee, May 13, 1991.

[7]The Export Finance Program was created by a bill authored by State Senator Rose Ann Vuich (Fresno).

[8]See Glickman and Woodward (1989), p. 242, for an explanation of the manner in which foreign companies, particularly Japanese companies, deliberately and methodically attempt to become constituents of U.S. governments.

[9]See Cletus C. Coughlin and Phillip A. Cartwright, "An Examination of State Foreign Promotion and Manufacturing Exports," in *Journal of Regional Science* 27 (1987B), pp. 439-49. Discussed in Webster, et al. (1990), p. 203. This study supposedly "established a link between state export promotion activities and exports, concluding that a $1,000 increase in state export promotion expenditures would lead to a $432,000 increase in state manufactured

exports." These results must be read with suspicion. For example, does every dollar spent on advertising a soft drink add a predictable amount to gross sales, regardless of the quality and form of the advertisement?

See also Coughlin and Cartwright, "An examination of State Foreign Exports and Manufacturing Employment," in *Economic Development Quarterly* 1(3) (Aug. 1987A), pp. 257-67. Also discussed in Webster, et al. (1990), pp. 203-4. This study "examined the effect of foreign exports on a state's economy. [The authors] developed and tested a model that demonstrated that foreign exports have a significant employment multiplier effect. They estimated an average state employment elasticity of (.21). That is, a 1% increase in real exports would lead, on average, to a (.21%) increase in non-agricultural employment . . . The results indicate that the foreign export employment multiplier is significantly greater than the domestic multiplier. This lends support to a policy of using state economic development funds for foreign export promotion."

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