

Editor's Note

IT'S HARD TO LIKE the incentives game that cities and states use to lure businesses.

It's even harder not to play it.

The problem is a simple one. Taxpayers shell out huge amounts of money to attract companies to their communities—many of which probably would have moved there anyway. Worse, companies get this cash based on promises about new jobs, and then too often fail to live up to those promises.

So why do so many governments play the game? Because they don't feel like they have much choice. Unilateral disarmament has never been the most popular political strategy.

Now, though, as Conor Dougherty describes in his cover story, governments are at least making it harder for corporate players not to cheat. Some cities aren't forking over the cash until companies come up with the jobs. Other cities are insisting that companies *give back* money if their promises prove to be empty.

Eventually, governments may decide they would rather quit the incentives game entirely. But in the meantime, it's good to know they are starting to play it a lot smarter.

—LAWRENCE ROUT

The Journal Report welcomes your comments—by mail, fax or electronic mail. Letters should be addressed to Lawrence Rout, *The Wall Street Journal*, 4300 Rt. 1 North, South Brunswick, N.J. 08852. The fax number is 609-520-7767, and the email address is reports@wsj.com.

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RECOMMENDED READING

STEPHEN CORNELL has spent nearly two decades working closely with Indian nations in the U.S. and Canada on economic development, self-governance and tribal-policy issues. He has directed the Udall Center for Studies in Public Policy at the University of Arizona since 1998, and in 1987 he co-founded the Harvard Project on American Indian Economic Development, a research program that aims to foster social and economic development among American Indian nations.

Below, Dr. Cornell suggests some readings on economic development among Indian nations.

—Keith Huang

“The State of the Native Nations: Conditions Under U.S. Policies of Self-Determination”

By the Harvard Project on American Indian Economic Development

Economic development cannot be separated from other aspects of community life and circumstances. For American Indian nations, understanding economic development and making it happen require close attention to everything from natural-resource endowments to tribal-state relations, from education to culture. This book offers a one-stop overview of current conditions and trends in Indian Country.

“American Indian Constitutional Reform and the Rebuilding of Native Nations”

Edited by Eric D. Lemont

Development prospects on American Indian reservations depend in part on the legal and political infrastructures that Indian nations put in place. Those infrastructures create institutional environments that are—or are not—conducive to development. A growing number of Indian nations realize this, leading to a flurry of constitutional reform. The book captures both the logic and the first-hand experience of remaking tribal constitutions according to tribal interests, needs and designs.

■ **Online Today:** See more of Dr. Cornell's selected readings on *Native American economic initiatives*, at WSJ.com/Reports.

Q&A ON CHILD-CARE ECONOMICS

CHILD CARE plays a crucial role in economies, according to the conclusions of several U.S. economic-policy experts. The most obvious reason is that economies need workers, and workers need people to watch their children.

Affordable, caring and engaging child-care options allow parents to go through their workday with greater confidence and fewer disruptions. Parents whose child-care needs are met are greater assets to their employers and to regional economies, says Jen Wohl, director of the Children, Youth and Families program of the National Economic Development and Law Center, a nonprofit group that aims to revitalize depressed communities.

At the same time, organized child care also creates jobs and contributes revenue to other sectors, researchers say.

But businesses and state governments need to create a more efficient child-care infrastructure that consists of private-public partnerships, she says.

She recently spoke with the Online Journal's Emily Meehan about child care and economic development. Here are excerpts:

WSJ.COM: Who can't find adequate child care, and why?

MS. WOHL: Finding adequate child care is probably hardest for low-to moderate-income families—who don't make enough money to pay for quality child care, but make too much to be eligible for state child-care subsidies.

WSJ.COM: How do spotty child-care options inhibit economic development?

MS. WOHL: Lack of child-care options limits short-term economic development because it inhibits parents from fully participating in the workforce. Why would parents of young children move to a community just for a job in an established business if the community doesn't offer affordable, quality and accessible child care?

■ **Online Today:** *WSJ.com subscribers can read more of the interview, at WSJ.com/Reports.*

ECONOBLOG

CRAMMED ROADWAYS and rush-hour traffic are becoming a growing problem for U.S. cities. The Online Journal asked economists Peter Gordon, of the University of Southern California, and Matthew Kahn, of the University of California, Los Angeles, to discuss the costs of congestion. Excerpts:

MATTHEW KAHN WRITES: While congestion is annoying, is it destructive to long-run urban growth? Congested cities such as Boston, London, New York and San Francisco all feature high home prices, and they continue to attract the skilled to live and work there. We are a highly diverse nation. I don't like to commute, so I've spent a lot of money on a relatively small apartment that is in walking distance to UCLA. I know other faculty who actually seem to enjoy commuting. They choose to live in distant suburbs and happen to own nice cars with good stereos. If their commute is five minutes

shorter each day, have they been made much better off? If people knew that they could drive faster due to effective congestion policies, would they “sprawl” more and live further from their jobs?

PETER GORDON WRITES: I agree that U.S. highway traffic problems are not as bad as elsewhere in the world. But many Americans have high expectations, and some of the nation's worst commutes have been getting the most attention. Still, traffic congestion—where it exists—is actually a no-brainer; in fact, it's necessary. We insist on free access to roads in most places, and as a result we actually rely on congestion to ration scarce road space. What strikes me as interesting is how comparatively little congestion we get in spite of both policy failures and growth in population, income and travel.

■ **Online Today:** *WSJ.com subscribers can read the complete discussion, at WSJ.com/Reports.*