A Consideration of the Unpredictable Determinants of American State Government IFDI Solicitation

James TANOOS
Saint Mary-of-the-Woods College
Saint Mary of the Woods, IN 47876
United States of America

Abstract

In recent years, greater regulatory responsibility in several lawmaking areas in America has moved from the federal government to state government (Altshuler & Luberoff, 2003). As a result, a new phenomenon known as devolution revolution has emerged in which American state governments have established or reestablished themselves as powerful entities, capable of spending more time and effort on specific regulations and policymaking (Gerber & Teske, 2000). Donovan, Moody, and Smith (2009) indicated that local and state governments currently have a greater impact today on the daily lives of Americans than the federal government. Economic development is now one of those policy arenas that states now have more powers (Sapat, 2004). Because of the augmented necessity to build trust in global relationships and the necessity to create proactive leadership, a newfound competitiveness between American states in attracting international industry investment has formed. These factors have caused state incentives and marketing efforts to become more complex than the standard tax breaks that were initially offered up in the 1980s. The increased worldwide Incoming Foreign Direct Investment (IFDI) flows in recent decades have prompted scholars to research the determinants of capital movements into America, particularly new streams from Eastern Europe and Eastern Asia.

Keywords: Economic development, governor, leadership, trust, international management

Introduction to International Industry Investment

The increased worldwide Incoming Foreign Direct Investment (IFDI) flows in recent decades have prompted scholars to research the determinants of capital movements into America. The total world Foreign Direct Investment (FDI) flows in 2010 showed an increase of seven times the FDI of 1991 (UNCTAD, 2011). Competitive factors that could lure a global company into conducting operations in a specific local have been examined since the 1980s (Ohuallachain, 1984), and this area of study has seen increased salience since NAFTA (Lake, 1993). However, Blonigen (2005) argues that the literature on determinants of FDI is relatively new enough that most hypotheses still have not yet been explored.

In recent years in America, greater regulatory responsibility in several lawmaking areas has moved from the federal government to state governments(Altshuler&Luberoff, 2003). As a result, a new phenomenon known as devolution revolutionhas emerged in which state governments have established or reestablished themselves as powerful entities, capable of spending more time and effort on specific regulations and policymaking (Gerber &Teske, 2000). As such, Donovan, Moody, and Smith (2009) indicated that local and state governments currently have a greater impact than the federal government on the daily lives of Americans.

Economic development is one of those policy arenas in which states now have more power (Sapat, 2004). This has developed comparatively quickly, because in 1983, the National Governor's Association (1983) reported in a comprehensive study that active state involvement in the solicitation of high-tech industry as part of an economic development strategy was a recent phenomenon. Simmons and Elkins (2004) confirmed that the most profound effect on US policy transitions to state governments is in the area of economic competition.

IFDI represents the goal of obtaining long-term investment from a multinational corporation that involves capital transactions whereby the management of the new enterprise is influenced or completely operated by the direct investor (OECD, 1995).

Currently, IFDI contributes more financial growth and productivity than domestic growth and has a greater impact on economic development than other means of business (Borensztein, Gregorio, & Lee, 1998). Once a multinational company commits its resources to a global locale, the entire investment becomes immobile, and while an international organization has lots of bargaining power before the destination is decided, the power shifts to the host area thereafter (Jensen, 2006). Those international first mover organizations that set up their operations in foreign locales will provide high-paying jobs in those areas for years to come.

IFDI became a central focus of modern leadership initiatives in the US as a way of engineering economic when it started to increase sharplyduring in the 1980s (Eisinger, 1990). IFDI is also an integral component of US state economies because it provides positive financial spillovers such as increased tax revenue and local consumer spending that serve as crucial benefits to the host economy (Moran, Graham, &Blomstrom, 2005; Graham, 1991). Furthermore, IFDI often provides economic stability because it usually exists longer than other foreign-held US assets (Graham, 1991). Thus, as IFDI in the US has continued to increase, it has become an integral aspect of the US Gross National Product (GNP).

The bulk of IFDI flowing into the US has been dedicated to industry (Anderson &Zeile, 2009; Madura, 2003) and American states have come to rely especially heavily on international manufacturers as sources of economic expansion because of the jobs these companies create and the managerial and technological expertise they contribute to their US acquisitions and partnerships (Blakely & Leigh, 2010). As such, this study will use the expression international industry investment as a general label describing any globally-supplied manufacturing job, multinational-funded capital, machinery, or asset, and/or any infusion of transnationally financed property, plant, and equipment related to incoming foreign direct investment directed at American assembly and/or production.

Determinants of International Industry Investment in America

With the increased ease of capital mobility, foreign executives are more closely evaluating the best possible international locales for their investments, and contrary to popular belief, the US still tends to be a top possible location for multinationals to set up their manufacturing operations (Friedman, 2007). A 2007 survey which asked top global executives about the best places in the world to invest found that they were increasingly interested in putting capital into developing countries, apparently due to fewer regulations and lower wages for employees (Kearney, 2007). The study identified the top destination as China, followed by India, the US, the UK, Hong Kong, Brazil, and Singapore. It also revealed that 52% of executives planned to increase investments in the US, 44% planned no change, and only 4% planned decreases in their US capital inflows. Therefore, America still is viewed as a positive potential location for investment.

Kanter (2003) found that four key factors allowed an American locale to thrive in the emerging global market: (a) visionary leadership, (b) a friendly business climate, (c) a commitment to training, and (d) a spirit of collaboration among businesses and between business and local government. Additional research indicates that other local competitive advantages may prompt a multinational corporation to commit capital to a specific area. Some of these advantages include a workforce more skilled through employee training and/or vocational education, supply chain management and proximity to vendors, tax incentives, a preferred infrastructure (or location near ports, railways, interstates, or airports), and/or proximity to a central market (Kasarda & Irwin, 1991; Altshuler & Luberoff, 2003).

In many cases,a region offering one or more of these incentives is highlighted by state leadership in hopes of successfully soliciting a “big catch” of foreign capital. Landing this “big catch” is a phrase that represents the great hope of a small or middle sized American community that a major industrial organization will set operations and create numerous jobs for the regional employment base (Deakin& Edwards, 1993). Goodman (1979) first surmised that local governments will increasingly compete with one another due to the increased mobility of capital. While Kasarda and Irwin (1991) indicated that significant scholarly debate has occurred aboutthe various factors which might provide local and regional competitive advantages in expanding employment opportunities, studies have not been able to isolate any single factor as most effective in luringinternational industry investment (McMillan, 2006). While there is no agreed-upon method of best attracting foreign capital, political leadership is seen as an integral factor inmanaging, controlling, and guiding these efforts (Crandall, 1993). In addition, Jensen (2006) noted that multinational organizations are attracted to locales that are market-friendly.

In effort to become more attractive to industry, therefore, state governments have gone to various lengths to entice FDI as a method of increasing the state's economy (Kincaid, 1984).

The incentives offered recently by state leaderships have been more innovative and complex than the standard tax-incentive strategies that were first offered as bargaining chips in the 1980s. Now, US lawmakers and their proxies typically offer a variety of IFDI incentives including infrastructure upgrades and targeted subsidies such as educational opportunities (Sapat, 2004).Crandall (1993) found that there is no detriment in allowing states and municipalities to compete for manufacturing via the common methods of targeted infrastructure upgrades, tax incentives, and industrial parks. This trend has prompted an all-out "arms race" between states for incoming foreign direct investment directed to industry (Fleishmann, Green, & Kwong, 1988).

The Component of Trust between a Multinational and American State Governments

Wilkinson & Brouthers (2000) pointed out that the communication between organizational leaders and potential international investors is a key component in the overall IFDI solicitation strategy, and inquired about quantitative studies that correlated time spent speaking with or meeting with a global executive and international industry investment. While the number of gubernatorial trade missions has been on the rise and is assumed to encourage commerce, no quantitative studies yet exists that report the number of trade missions by state or the exact dollar figure of impact for trade missions (McMillan, 2006; Cassey, 2007). Burns (1978) commented that the concept of leadership is often observed but also the least understood phenomena. As such, it may be especially difficult to gauge American gubernatorial leadership from abroad, no matter how many trade missions are made and no matter how much research is done to assess a governor's administration.

Although trade missions have not been specifically correlated with levels of new IFDI, the simple development of trust between local host and multinational is now seen as a significant component of inter-organizational success (McLure, 2004). According to Lussier (2010), the three varieties of human relations trust are (a) deterrence-based, which depends on consistent behavior based on the threat of punishment, (b) knowledge-based, occurring when someone has enough information about another person to predict that person's actions, and (c) identification-based, when parties understand one another so much that they can act for one another during mutual transactions. Of these, identification-based trust most closely resembles the organizational relationship between an international executive and a US business partner in which no prior dealing or relationship exists. However, this type of trust is only earned over time after a certain level of comfort or rapport has been established (Lussier, 2010).

According to Huff and Kelley (2003), competitiveness in foreign industries increasingly necessitates the ability to cultivate trusting relationships. Developing and maintaining trust is especially important when communicating with people from a different culture; whether it isa government official or a corporate executive, the confidence placed in a potential partner located in a different area of the world can be a central factor in the decision-making process of global organizational management (House, Hanges, Javidan, Dorfman, & Gupta, 2004). McClure (2004) asserted that when it comes to leadership, "trust is the foundation for everything" (p. 225).

Trust is especially significant in collectivist cultures, where stable relationships between opposing negotiators is essential for inter-organizational success. Collective-oriented cultures aspire to communicate important aspects of a business proposal or idea with a person or a group with whom they have established a trust (Huff& Kelley, 2003), and generally feel more comfortable in situations where harmony is maintained (Ralston, Hold, Terpstra, & Cheng, 2008). For example, celebrations in collectivistic cultures are done before the business is conducted in order to gain trust, whereas in individualistic cultures, the celebration is done after the deal has officially been agreed upon (Alston & Takei, 2005). In collectivist cultures, established connections between partners is key, and a change or replacement of one negotiator entails that a new relationship will need to be redeveloped between the two sides (Hofstede & Hofstede, 2005, p. 339).

A significant collectivistic trait is "uncertainty avoidance", which measures tolerance for ambiguity and refers to a search for truth. Studies have shown that the US measures low in uncertainty avoidance and thus is more likely to take risks with foreign partners; in contrast, manufacturing-heavy countries such as Korea, Japan, or Germany generally exhibit elevated levels of uncertainty avoidance and have feelings of uneasiness when dealing with uncertain business environments (Lim, Leung, Sia, & Lee, 2004).

Hofstede, Hofstede,&Minkov (2010) indicated that uncertainty avoidance significantly affects the level of trust in potential global partnerships, because one party usually displays unfamiliar business behaviorsresulting from differences in cultures. The Far East is considered to be a collectivist area of the world, and Japanese leaders in particular are markedly concerned with keeping harmony in relationships (Phatak, Bhagat, & Kashlak, 2009, p. 423). In general, collectivistic cultures tend to find it challenging to form trust with individualistic cultures, andresearch confirms increased inclinations for Western organizations to trust as compared to those in Asia (Huff & Kelley, 2003). According to Hofstede & Hofstede (2005), a common misunderstanding among intercultural business occurs because of this individualism versus collectivism culture dimension. Because of the increasing likelihood that US governors might partner with someone from a collectivist culture (Ditzel, 2007)and thus enter into negotiations with a potential partner exhibiting contrasting levels of uncertainty avoidance, establishing trust is particularly important in these intercultural organizational partnerships.

As more American lawmakers are engaged in global business with parties from collectivist cultures, the necessary rapport must be established and nurtured when attempting to secure these contracts. Patience and a thorough process of relationship-building must be developed in order to activelyengage in international business.The success of new cross-border mergers, acquisitions, and joint ventures depends on how governors and their proxies understand the process of melding different organizational cultures, and the successful “big catches” of international industry investment by a governor will hinge on the ability to earn trust with potential global partners(Walker, Walker, & Schmitz, 2003; Jansen, 2004).

The Component of Risk between a Multinational and American State Governments

Various factors are taken into account when a multinational company decides to enter a US market. Along with trust, another key component of international business entry strategy includes political risk, which is the risk when an investment’s returns could potentially suffer due to instability or changes in the other party’s political conditions. Click (2005) noted in a study of outgoing US FDI that political risk was qualitatively and quantitatively tied to entry strategy. As such, an assessment of political risk tends to be an integral factor in the decision-making process when a first-world multinational is considering in which developing country to set up its operations (Robertson & Watson,2004).

In addition, Phatak, Bhagat, and Kashlak (2009) confirmed that political risk can occur even in politically stable countries such as the US. As governors have assumed the role of ambassador and negotiator for their American states, political risk and the potential for a state to increase corporate income taxes or inventory taxes, for instance, appears to play a role in commitments of international industry investment intothe US.

A multinational company (MNC) examines several key factors when assessing possible manufacturing destinations: (a) political environment, (b) economic growth prospects, (c) local labor supply, and (d) financial stability. Of these features, the US has a comparative advantage over underdeveloped areas in all but labor supply, facilitating the decision by a MNC to set up operations in the US (Goldstein & Pevehouse, 2010). The political environment factor generally tends to be the riskiest to the MNC,because it is the most variant. However, one way to lessen political risk is to ensure cultural due diligence. Cultural due diligence entails the necessary investigation and research of the other partner before any global business relationship is to be agreed upon; however this takes time (Carleton & Lineberry, 2004). Political risk therefore can be lessened with the time and effort spent on finding out more information about the potential partner.

Hughes, Ginnett, and Curphy (2009) found that experienced leadership is most effective and risk is minimized when the leader deals with people rather than the system. Because people still pose a risk, the necessary time to research and investigate a potential business partner through cultural due diligence is needed to lessen political risks. When addressing political risk, Jensen (2006) found that state governments that can credibly commit to policies which are observed as being stable are able to attract more IFDI due to their lower political risks.

Providing the aura of stability within a state might seem to depend upon the legacy of former leaders in state governments, but Beyle (1995) confirmed that the individual skills of a governor are more important to a governor’s in-state approval rating than any type of institutional factor within that state’s system. Thus, an effective leader in the Statehouse cannot necessarily be constrained by the legislative climate set up by previous Statehouses. A new governor and his administration can indeed provide the necessary leadership within the confines of its own current administration’s tenurethat successfully solicits international industry investment.

The Influence of a Governor's Statewide Agents

During the past decade, state politicians commonly have utilized various agents to formulate and implement their policies. With this approach, also known as the principle-agent approach (Sapat, 2004), the principal hires the agent to perform a task or undertake a project. American governors therefore do not simply exert influence by themselves as increasingly, agents appointed by governors to statewide organizations are playing more important roles in shaping that states' economic development, marketing, networking functions, and more. (Marciano & Josselin, 2003). With the growing evidence that different types of state agents can now influence foreign entities related to international business partnerships, the principle-agent political model has an increasingly prominent role in accelerating international industry growth (Eisinger, 2003).

The Indiana Economic Development Corporation (IEDC) is an example of an agent, or conduit, between the state and potential business partners (Grady, 1991). The IEDC dedicates much of its resources to focusing on competitive advantages such as promoting its blue-collar workforce to organizations looking to expand or locate in Indiana (Kasarda & Irwin, 1991). It focuses on soliciting the state to potential business entrants and connects interested investors with state organizations.

In many cases, economic organizations such as the IEDC were first created in the late 1980s or early 1990s as a result of the fledgling role of the American states in economic development and have since been given increased power. However, they also are saddled with more accountability in providing their states with new industry (Jamison, 1998), and that increased accountability means that the Statehouses which facilitate the development of these organizations and hire their leaders have more responsibility.

According to Donovan, Moody, and Smith (2009), state and local governments are much different from each other "in how they are organized, the policies they pursue, the institutions they establish, and the effects they have on their citizens" (p. 285). The international political economy model of constructivism indicates that governmental agents play an integral role in international relationships and these influential mediators might be classified as groups and organizations associated with states. Constructivism emphasizes the change within a system, behavior of governments, discourse of powerful entities, or norms of behavior, and is the most applicable theory of paradigms when assessing IFDI, since an increasing number of governors and their economic development organizations communicate with international partners (Wendt, 1992).

As economic-development organizations communicate and negotiate on behalf of their states' governments with possible international investors, the laws and regulations of that state guide what the agent may and may not do. Thus, many commitments of capital and resources from an international executive are based on the statewide business climate established by the governor but enforced, communicated, and facilitated by his proxies. Statehouses will continue to grapple with the budget, focus, and power they give to their key agents such as the newly-powerful economic development organizations and those agents will continue to play major roles in the quest to lure international industry investment. As state leaders, the American governors display leadership not only with their own actions but also with their important decisions in delegating authority to the statewide institutions operating on behalf of their states.

Barriers to International Industry Investment

Donovan, Moody, and Smith (2009) noted that not all American states witness leadership success andthat there are still variations between US states due to their differences in public policies, politics, and governmental structures. Based on the recent commitments of large-scale international capital to select US states, it is apparent that while some states' leaders are realizing international financial triumphs, not all have been able to attract international industry investment.

Duesterberg & Preeg (2003, p. 207) reported that a key factor hampering American competitiveness in global capital markets is the much higher health care costs as compared to other countries. Burdensome American employer laws mandating health benefits to employees, particularly with the escalating costs of coverage, is seen to hamper potential investments from abroad (Phatak, Bhagat, & Kashlak, 2009). As such, an international suitor might decide to set up operations in a country with comparably less money dedicated to employee health coverage.

Similarly, lower wage levels in developing countries provide a huge competitive advantage when an executive looks for a location for a production facility (Blonigen, 2005). However, the commonly-held notion that low-wage advantages in underdeveloped countries can provide the best overall destinations for manufacturing does not take into consideration other competitive advantages besides those wage rates. As a result, governors and their appointed state leaders have been forced to "out-innovate" their competition in the hyper-competitive international marketplace and have been able to overcome the challenge of lower labor rates from across the globe in attracting and luring inflows of capital and investment (Kang, 1997). Thus, low wages are not necessarily more important than all other factors for production destination consideration, and it is common for a foreign decision-maker to analyze a wider array of factors when deciding where to invest. As Jensen (2006) wrote, "Multinationals search the world for investment opportunities, playing governments against one another … in an attempt to obtain higher returns" (p. 69).

However, some state leaders are not able to actively compete with their counterparts and solicit multinationals for international industry investment as effectively. Duesterberg and Preeg (2003) confirmed that "the policy and institutional environment can hinder the most productive development of the manufacturing sector in many ways" (p. 197). In Illinois, for example, the constant flux in statewide leadership has affected its potential for international industry investment. Even before the recent recession, the total employment by foreign-owned businesses dropped from 325,800 in 2000 to 261,800 in 2005, and the Gross Property, Plant, and Equipment for foreign manufacturing in Illinois shrank even in the years before the 2008 recession (BEA, 2010). Illinois also lags lagging behind other states in its international economic progress, as its total FDI shrank by 2.8% between 1999 and 2006 (BEA, 2010), and the recession further worsened its situation. In 2010, the President of Manufacturers' News discussed how the recession augmented the manufacturing job loss in Illinois:

It's a perfect storm of negative conditions... The country has suffered deep losses in manufacturing employment due to automation and technology, outsourcing and the recession. Combine that with Illinois' high taxes, deficit spending and generally unfavorable business climate, and it's easy to see why the state has shed thousands of industrial jobs(Ratcliff, 2010).

In 2011, Illinois received the worst grade of all Rust Belt states by the National Manufacturing and Logistics Report Card (Conexus, 2011).Regarding the state's score of a D on tax climate, a spokesperson stated, "You're probably going to move from a D to an F on tax climate next year…This is a bad time to have ugly taxes" (MacArthur, 2011).

Rust Belt states like Illinois have the most at stake with the shift of traditional factory jobs overseas because of their reliance on this sector to their economies; however, their workforces are already trained and have significant experience in industry and can be marketed as such (Grant & Wallace, 1994). Theemployment bases of the Midwest and Northeast US have more industrial specialization as compared to other regions (Smith & Dennis, 1987), and less time and money needs to be invested in these employees to upgrade their skills that are necessary for advanced manufacturing and high-tech industries.

Illinois Chamber president and CEO Doug Whitley commented on past statewide policies that have thwarted the state's efforts to attract foreign industry, saying "We can't tax our way to prosperity." (Whitley, 2008)Yet increased taxes appear to be preferred by the elected leaders in the Illinois Statehouse, the office of Cook County Board president, and the mayor of Chicago, each of whom has sought to raise taxes and the costs of doing business in their jurisdictions (Whitley, 2008).

In 2011, Illinois leadership again proposed dramatically raising its already high taxes to fix the state's deficit, after which Indiana Governor Daniels proclaimed, "It's like living next door to the Simpsons- you know, the dysfunctional family down the block" (Wills, 2011). When commenting on lawmakers in Illinois, The Purdue Center for Regional Development asserted, "It demonstrates that political leadership is really out of step with what the global realities are" (Wills, 2011). Because of the abundance of negative economic indicators, in February 2011, the governor of Illinois conceded that it would be a "lean year" for the state (Garcia, 2011). By March, 2011, New Jersey governor labeled the governor of Illinois a "disaster" and proclaimed that no New Jersey business would ever relocate to Illinois (DeFalco, 2011). In 1988, Illinois' leaders decided to spend only \$1.17 per capita for high-tech appropriation (versus the national average of \$1.81) and \$.25 on per capita international trade development appropriation (versus the national average of \$.26) (Eisinger, 1990).

Today, Illinois has fallen far behind other Midwest states, even deindustrialized Michigan, in securing and attracting international manufacturing investment (BEA, 2010). The Illinois Chamber of Commerce gave their interpretations of the problems plaguing the state during the past generation, which have contributed to the failures of state policy in positioning the state as a destination for foreign investment. Whitley (2008) recommended workforce development, establishing partnerships between the state and Illinois technical colleges, and suggested touting Chicago's O'Hare Airport as comparative advantage ingredients, as well as linking companies to global business and bringing international companies to Illinois and nurturing creativity in the entrepreneurial sector to establish a better environment that facilitates high-tech R&D. "We must expand our ability to be part of the global economy", stated Whitley (Whitley, 2008).

The lack of proactive, consistent leadership from the statehouse in Illinois is considered a primary reason that Illinois has poor IFDA (BEA, 2008) in comparison with other Rust Belt states. The upheaval in the governor's office, which includes one seen one former governor convicted of bribery and racketeering and a sitting charged with corruption since 2006, has mitigated its leadership impact abroad because leadership and economics are not mutually exclusive within a state but closely intertwined (Menzel, 2007). Hall (1997) surmised that "the state and the market represent two different ways of organizing human endeavor, and the relationship between them has always been one of the central themes of political economy" (p. 174). Increasingly, governors are in position to facilitate large commitments of capital and jobs from international companies and the most successful state leaders therefore seriously impact the economic environment of a state.

State Investment and Economic Scorecards

Oman (1999) indicated that since barriers to international industry investment flows have decreased, multinationals have been more apt to research potential manufacturing destinations in order to secure the best deal possible. Consequently, multinationals have placed more emphasis on comparing and contrasting the manufacturing work environment in one American state with another via statewide scorecards (Chen, Chen, & Ku, 2004). Statewide scorecards consist of ratings created by outside evaluators of American state governments and their economic systems (Quillen, 2009).

According to the 2011 National Manufacturing and Logistics Report Card, for example, the state of Indiana received an A, based on its most recent efforts to attract factory jobs, whereasNevada received an F (Conexus, 2011). Although Indiana has seen vast manufacturing job losses in the past generation, the state does seem to be faring better than other Midwestern Rust Belt states in stemming the losses while at the same time adding new job-generating production facilities in order to offset the factory shutdowns. Hicks (2007) suggested that the state leadership in Indiana has developed policies that are attractive to manufacturing and industry, while neighboring states have not been able to sustain this momentum. These political maneuvers have prompted the National Manufacturing and Logistics Report Card to increase the state's ratings on a number of different business conditions, including Productivity and Innovation, Global Reach, and Venture Capital.

Other methods of evaluation are being used by MNCs to compare potential investment destinations. For instance, Site Selection magazine publishes an evaluative report which takes into account new plant ratings. This report lists the best areas for expansion planning and potential plant locations and delivers the results to 44,000 executives of fast-growing firms (Spalding, 2008). In addition, in 2009 the National Governors Association created an economic momentum scorecard that reports on economic conditions in each US state (Quillen, 2009). Yet another account is distributed by the State Science and Technology Institute (2007), an organization responsible for gathering information from the U.S. Census Bureau based on its Annual Survey of Manufactures. This information rates states in categories such as Value-added by Manufacture, Value of Shipments, and Average Value-added/Employee.

Report cards such as these are utilized not only by US companies but increasingly by foreign firms as efficient means of weighing possible alternate destinations in which to operate. The increased availability of these scorecards and in transparency in the efforts ofstate governments further prompts Statehouses and their agents to be more innovative, proactive, and dedicated in their leadership efforts to establish the best possible business climate for potential international industry investment. These scorecards and reports have also put more pressure on statewide organizations and politicians to be more assertive in their endeavors to reach out to international industry investment.

Conclusion

The sharp increases in worldwide capital flows have prompted scholars to hypothesize the determinants in luring its riches. This is especially true in America, where international industry investment has helped statewide economies fight against the deindustrialization of the national economy. The increased reliance on theproper empowerment and selection of statewide agentsto best market and network an American state, coinciding with the devolution revolution and the increased regulatory and lawmaking powers of state governments, has prompted more literature on the determinants of international industry investment.

Also, because of the increased salience of statewide business environment report cards, the building and development of trust in global relationships, and the necessity to create proactive leadership, a newfound competitiveness between American states in attracting international industry investment has formed. These factors have caused state incentives and marketing efforts to become more complex than the standard tax breaks that were initially offered in the 1980s. As trade barriers continue to be broken down and as global commerce increases, the competition to lure IFDI within American states continues to escalate.

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