INTRODUCTION

Policymakers have long attempted to adequately address the issue of poverty within society. Federal, state and local governments have enacted programs providing or assisting impoverished individuals with attaining food, housing, and cash assistance as well as other numerous supports and services. Many of those programs have been successful at achieving their goals, such as: providing a nutritional diet, shelter or medical attention for individuals. For the most part, programs have targeted measurable goals that do not overlap with one another. When dealing with the contemporary issue of concentrated urban poverty, these compartmentalized programs may have provided the tangible support or service, while individuals and communities became increasingly impoverished, isolated and distressed.

Concerns about concentrated poverty resulted in the creation of federally funded Empowerment Zones to revitalize these distressed areas. The Empowerment Zone initiative aims to create economic opportunity, encourage self-sufficiency, and promote sustainable development through both tax incentives and grant dollars. Furthermore, Empowerment Zones give city governments flexibility in taking a holistic approach toward eradicating concentrated poverty within a specific geographic area of the city.

This study focuses on the impact of the holistic approach of the Empowerment Zone initiative in the original six urban areas: Atlanta, Baltimore, Chicago, Detroit, New York and Philadelphia/Camden. Using a quantitative analysis, this study measures the impact of Empowerment Zone designation on income, employment and educational attainment in the six zones. The analysis compares eligible high-poverty census tracts that were designated with those that were not, examining both after implementation of the Empowerment Zone initiative, and comparing the amount of change over time (1990-2000) for the same sample. Finally, an
index of program scope is utilized to determine if variation in the extent of holistic approach makes a significant difference in the overall outcomes of the Empowerment Zones. In addition, a case study analysis of two zones that contrast sharply in terms of outcomes will be completed to provide a better understanding of the factors that have led to their differences. A key concern is whether successful implementation of a broad array of programs is linked to greater change in Empowerment Zones.

UNDERSTANDING CONCENTRATED POVERTY

The increasing concentration of impoverished urban households has produced an atmosphere with few opportunities for economic and social mobility. Research demonstrates that concentrated poverty census tracts were scarce in 1970, but omnipresent by 1990. From 1970 to 1990, the number of pockets of high poverty more than doubled and the number of persons living in neighborhoods of concentrated poverty increased from 4.1 million to 8 million (Jargowsky 1996). As of 1990, more than two thirds of all central city poor people lived in poor or very poor neighborhoods (Massey 1996). However, recent 2000 Census data shows that the number of census tracts of concentrated poverty has begun to decrease. The sharpest declines occurred in metropolitan areas in the South and Midwest. Quite possibly the decline could be due the economic boom of the 1990s, targeted local economic development of the areas or the inevitable, "what goes up must come down."

Because of the spatial concentration of poor people the effects of poverty are magnified and exacerbated. Studies demonstrate that living in areas of concentrated poverty has negative effects on numerous life experiences. Research demonstrates neighborhood poverty affects school completion, labor force participation, teenage pregnancy, drug use, availability of role models, number of employment prospects and criminal behavior (Wilson 1987; Crane 1991;
The concentration of poverty has developed over time due to numerous structural factors within the urban environment. Furthermore, most of the structural factors are interrelated and it is difficult to simply separate the endogenous cause. Although the explanations are abundant, there are some overarching theories regarding the cause. These include the theories of individual attributes, spatial mismatch, economic restructuring, out-migration, segregation, and government programs.

Many studies have demonstrated that people of color have almost exclusively endured concentrated poverty (Jargowsky, 1997; Jargowsky and Bane, 1991; Kasarda, 1990; Wilson, 1987). For example, Jargowsky (1997) analyzes 1990 Census data of metropolitan areas and finds that neighborhood poverty, as defined by the proportion of a metropolitan area's residents living in high poverty census tracts, are 17.1 percent for blacks and 1.3 percent for whites. Furthermore, concentrated poverty rates, as defined by proportion of a metropolitan area's poor living in high poverty tracts is 33.0 percent for blacks and 8.4 percent for whites. Krivo and colleagues (1996) demonstrates that the extent of poverty concentration was 50 percent higher among central-city blacks in 1990 than among central city whites. These variations demonstrate the spatial nature of African American poverty in urban areas. Thus, explanations of concentrated poverty must consider the racial character of urban neighborhoods and the legacy of discrimination and segregation that created them (Massey and Denton, 1993; Massey and Eggers, 1990).

Early attempts to explain the trend of concentrated poverty focus on the behavior of the poor. Many still point to Lewis' (1968) "culture of poverty" thesis, which contends that the
residents of areas of concentrated poverty possess a culture that promulgates poverty because it is contradictory to perseverance, self-discipline and hard work necessary to attain middle class status. The culture of poverty theory does not include the economic system as a factor in the cause of poverty. Because of the cultural element, this theory has been utilized with racist undertones and has provided policymakers with a rationale to ignore the problem. Furthermore, numerous scholars have utilized empirical data, rather than ideological rhetoric, to demonstrate the role of structural forces and disprove the assertions that concentrated poverty is caused by individuals (Kasarda 1989, 1990; Wilson 1987, 1996; Hughes 1988; Massey and Denton 1993; Galster and Mincy 1993; Jargowsky 1996; etc.).

Wilson’s *The Truly Disadvantaged* (1987) stimulated substantial discussion and analysis regarding the underlying causes of the concentration of poverty blaming both market failure and public policy. Wilson contends that economic and demographic factors changed the environment of the inner city throughout the 1970s. The decline of manufacturing, the suburbanization of blue-collar employment, and the rise of the service sector eliminated jobs for low-skilled minorities, isolating many inner city residents from accessible, middle-class occupations. He goes on to argue that the simultaneous expansion of civil rights allowed middle-class blacks to move out of the ghetto, which left an isolated and very poor minority community without resources and institutions. Each tenet of Wilson’s argument has been further investigated for its relevance and strength in determining the extreme isolation of the poor in urban areas.

Wilson (1987) argued that the geographic isolation of the poor was connected to the declining employment opportunities for low-skill workers in urban areas. Many would now agree that global and national economic shifts have transformed urban economies and decreased
employment opportunities for many lower-income individuals. Hughes (1988) finds there was a massive relocation of manufacturing sector jobs and overall de-industrialization throughout cities in the Midwest and Northeast, leaving high rates of unemployment for lower-income individuals. It is no coincidence that urban areas in these regions possess the majority of the areas of concentrated poverty. Thus, de-industrialization has continued to be a principal rationale for the expansion of concentrated poverty occurring in the urban Midwest and Northeast (Hughes 1989, Galster and Mincy 1993; Jargowsky 1996).

The effects of deindustrialization have been more concentrated in minority communities. Racial discrimination in the labor market caused additional issues for blacks during economic restructuring. Labor market restructuring had a catastrophic effect, because blacks were strongly concentrated in the lower tiers of heavy manufacturing, the segment hardest hit during deindustrialization (Wilson 1992). Galster, Mincy, and Tobin (1997) demonstrate that the urban areas experiencing the most economic restructuring away from manufacturing employment have the greatest growth in poverty rates, especially among blacks.

Many of the goods processing jobs have been relocated to the suburban areas of the city; however, urban residents who previously held those jobs continued to reside in the central city areas. Contemporary scholars (Hughes 1989 and Kasarda 1989) have turned to Kain's (1968) notable spatial mismatch theory to suggest that lower-income people are trapped in economically obsolete inner cities away from the dynamic suburban growth centers. Kain (1968) maintained that restraints on black residential mobility made it arduous for blacks, who were concentrated in urban neighborhoods, to move to predominantly white suburban neighborhoods. These residential constraints combined with the suburbanization of jobs, left blacks in urban neighborhoods with a spatial disadvantage compared to suburban whites in the labor market.
This disadvantage then led to increased costs such as transportation, and therefore, reduced real wages.

Furthermore, cities have changed from centers of goods processing to centers of information processing; therefore, increasing the education required for urban employment (Kasarda 1990). This skills mismatch may also contribute to the growing concentration of poverty in urban areas. Thus, not only has joblessness increased in the short-term, but through both a spatial and skills mismatch, access to employment has decreased over the long-term. Ensuing studies have confirmed the critical impacts that wide-scale economic metamorphosis have had on employment opportunities accessible to the less skilled, with expanding overall poverty levels as the outcome (Bound and Holzer 1993; Galster and Mincy 1993; Galster, Mincy and Tobin 1997; Hughes 1989, 1990; Jargowsky 1996; Johnson and Oliver 1991, 1992; Kasarda 1989, 1990; Strait 2000)

Thus, the geographic location of jobs may also create areas of concentrated poverty by decreasing the likelihood that residents can travel to their jobs, compelling employed people to move out of the neighborhood. In The Truly Disadvantaged Wilson (1987) continues his theory to argue that these economic changes led to a migration of the black middle class to suburban areas (out-migration). They had the ability to relocate to suburban neighborhoods because discrimination in the housing market was decreasing, overt policies of prohibition against blacks and covert policies in the form of neighborhood covenants, real estate steering and exclusionary zoning were no longer such a prohibitive force (Green 1991; Greene 1994; Wilson 1980, 1987). Many, such as Wilson, suggest with the out-migration of the black middle class, there is an absence of exposure in poor black neighborhoods to a strong work ethic and job contacts that weakens overall attachment to the labor force among residents. More importantly, from an
economic standpoint, if the middle class migrates to the suburbs the institutions and businesses of the urban communities will follow their purchasing power, leaving neglected resource- and commerce-poor communities.

In many studies, Massey and his colleagues, argue that the increase of concentrated poverty is not caused by the out-migration of middle-class blacks; but rather, it is explained statistically by an interaction between the level of segregation and change in the structure of income distribution. Massey et al. (1989) determined that a decrease in the economic status of blacks translates rapidly into geographically concentrated poverty when blacks and whites are highly segregated. Moreover, the most alarming growth of concentrated poverty has occurred in northern and Midwest U.S. cities where extreme racial segregation has prevailed. Unfortunately, racial segregation in large urban areas is high and show little sign of decline (Massey and Denton 1987). The contention that high rates of black poverty are an outgrowth of this dynamic is supported by Massey and Denton (1993) in their landmark publication, *American Apartheid*, where they utilize a simulated experiment to illustrate that a distinct increase in a group's poverty rate ultimately generates concentrated poverty when it happens in surroundings of high segregation. Furthermore, growth in concentrated poverty changes the environment of poor neighborhoods to cause a series of self-reinforcing modifications that leads to the creation of communities of concentrated poverty.

Other scholars contend there is an additional factor which has significantly contributed to causing concentrated poverty: government programs, such as federally subsidized low-income housing, highway construction, suburban home ownership programs and general federal disinvestment in American cities (Kaplan 1995; Abbott 1987). Throughout the twentieth-century the federal government has attempted to address the issue of urban poverty. However, many
times elected officials were fixated upon re-election and catered to interest groups (business and powerful neighborhood associations) much to the denial of the greater societal good. For instance, white neighborhood associations mobilized and the city councils supported them in their quest to continue segregationist residential practices through the site selection process for public housing units that would be inhabited primarily by African Americans.

Massey and Kanauaypuni (1993) contend that the concentration of poverty and the location of subsidized public housing are interdependent. This is because public housing has been uniformly placed in low-income neighborhoods and neighborhoods with higher concentrations of people of color (Newman & Schnare, 1997). Massey and Kanauaypuni (1993) discovered the strongest predictors of an area possessing a public housing development were median income and the percentage of African Americans present in 1950. Moreover, there has been considerable segregation within public housing, in inner cities (Bickford & Massey, 1991). Goering et al. (1994) have shown that in many large cities such as Atlanta, Baltimore, Boston, Chicago, Cleveland and Philadelphia, over 85 percent of public housing tenant households are headed by a black person. It is also the case, Massey and Kanauaypuni (1993) determine that "public housing thus represents a federally funded, physically permanent institution for the isolation of black families by race and class, and it must be considered an important structural cause of poverty concentration in US cities." To further the analysis, Holloway et al (1998) find that public housing escalates the concentration of poverty among blacks at twice the rate it does among whites.

WHY DOES CONCENTRATED POVERTY DESERVE POLICY ATTENTION?
Living in communities of concentrated poverty may affect individuals in a number of ways. Studies demonstrate that individuals may experience high rates of low birth weight (O'Regan & Wiseman 1989); child abuse (Garbarino & Sherman 1980); infant deaths (Coulton & Pandey 1990), delinquency (Coulton & Pandey 1990), teen pregnancy (Anderson, 1991; Crane 1991; Coulton & Pandey 1990) and dropping out of school (Crane 1991). Furthermore, research shows that some high-poverty areas have reached exceptional levels on indicators such as welfare dependency, female-headed households, high school dropout rates, and male non-participation in the workforce (Ricketts & Sawhill, 1988).

Also, the effects of the isolation which accompanies concentrated poverty is equally as devastating. For instance, social institutions and resources may be lacking in communities of concentrated poverty. Tienda (1991) argues that a fragile institutional organization may be an important factor in determining the consequences for individuals in these communities. Essentially, most of these communities are deficient of social capital that provides economic opportunities for self-sufficiency for their members. Social capital is the social-network resources that bolster individuals in their efforts. With low levels of trust and expectation of reciprocity, individuals in poor communities are also less likely to assist their neighbors and, consequently, have fewer people they can turn to for social support, especially in times of financial need and crisis (Orthner 1996; Pedder 1991).

THE EVOLUTION OF EMPOWERMENT ZONES

The current state of neighborhoods of concentrated poverty is depressing and distressed at best. Individuals residing in those communities deserve to have the same opportunities and infrastructure that the rest of society enjoys. The social policy system of the past of individual
programs with very specific foci needs to change in order to serve the neighborhoods. Because of the nature of the structural forces involved with the creation of communities of concentrated poverty, public policies aimed to address the issue must deal with the structural forces to change the extreme isolation of the communities. Whether one points to the relocation of jobs due to suburbanization or deindustrialization, segregation, government programs or the flight of the middle class a public policy aimed at eradicating concentrated poverty must ultimately be comprehensive in order to actually offer those residents in the area an equal opportunity to achieve economic self-sufficiency.

There are, of course, no clear answers to addressing poverty, or even more challenging, concentrated poverty. However, general solutions to community problems will not succeed if they are not targeted to specific groups and linked to the total regional economic system (Blakely 1994). Targeted public policy programs for urban communities have been neglected from the federal government's agenda since the War on Poverty. State and local governments can not financially afford to address the situation without the assistance of the federal government. In the early 1990s, the riots in Los Angeles thrust urban issues on the national agenda; although the Bush administration vetoed an enterprise zone proposal because of it was contained within a larger tax package that the president opposed. However, in 1994, with a new presidential administration with a prioritized urban agenda, the federal government aptly responded to the urban crisis by combining the economic development efforts of the 1980s and social policy programs of the 1960s, to create the Empowerment Zone and Enterprise Community (EZ/EC) program. In creating the EZ/EC program, the Clinton administration built upon lessons from the past federal Model Cities program and state enterprise zone policy initiatives (Marks Rubin 1994). Lessons include the need for bi-partisan support, federal agency commitment and
coordination, determining areas with economic potential and program evaluation. The addition of targeted direct investments in the communities not only creates a holistic approach, but also satisfies the Democratic opponents of previous enterprise zone legislation, by going beyond dimply granting tax incentives to businesses. Following is a summary of the history of both the Model Cities program and Enterprise Zones. Also, included is a summary of the creation of EZ/EC initiative. Essentially, this section demonstrates the influence of Model Cities and Enterprise Zones on the creation of Empowerment Zones.

BORROWING FROM THE PAST

Model Cities

In 1965, the Johnson Administration's Task Force on Urban Problems recommended a five year demonstration program that would take a holistic approach to combating the extreme blight of urban areas. The Task Force called for funding for 62 designated cities of differing sizes to allow local communities to determine what would be the relevant solutions to their local needs. Furthermore, the report called for the "concentration of available and special resources in sufficient magnitude to demonstrate swiftly what qualified urban communities can do and can become" (Haar 1975, 295).

With the full fledge backing and Congressional campaigning of the Johnson administration as a primary element of the Great Society initiative, as well as being cited as a response to turbulent urban unrest, the Task Force's recommendation was realized with the passage of the Demonstration Cities and Metropolitan Act of 1966, which became known as the Model Cities program. The objective of Model Cities was to give financial and technical assistance to cities, so they could:

plan, develop and carry out locally prepared and scheduled comprehensive city demonstration programs containing new and imaginative proposals to
rebuild or revitalize large slum and blighted areas; …and generally to improve living conditions for people who live in such an area, and to accomplish these objectives through the most effective and economical concentration and coordination of Federal, state and local public and private efforts… (Haar, 1975).

Essentially, Model Cities hypothesized that concentrated services and funding in a geographical area, determined through local planning, would produce a significant improvement in the lives of the community members. Model Cities took a comprehensive approach by tying together existing services in poor neighborhoods, giving the residents a greater voice in decision making, and encouraging flexibility and innovation (Frieden and Kaplan 1987). The program was unique because, unlike the categorical programs of the time, Model Cities provided only a basic direction for programming and the local communities independently devised their own Model Cities projects.

Designation as a Model City could be achieved by submitting an application to the US Department of Housing and Urban Development. Upon receipt of an application from a city, Model Cities provided $200,000 to cities to prepare a comprehensive community demonstration. Envisioned as a cooperative effort on the part of city government, area residents and local service agencies were responsible for developing the comprehensive plans and innovative improvement projects (Hinckley 1977). After completion of the application, the city would then be eligible for federal funding, which was capped at $400 million for fiscal year 1967 and $500 million for fiscal year 1968.

Unfortunately, Model Cities was terminated in less than ten years. Some (Frieden and Kaplan 1987) argue the program was over before it began because the resources, public and private were just not available. Program funding was never sufficient given the extensive expectations of the initiating legislation. In addition, the Model Cities administration money was
never intended to pay for the entire program; it was to be seed money augmented by funds from
the three other agencies – Health, Education and Welfare, Labor and the Office of Economic
Opportunity as well as other HUD Programs (Post 1973). Regrettably, Model Cities received
resistance from the other federal agencies whose cooperation was required and necessary for the
program’s success. In addition, Model Cities contained holistic objectives; yet, did not clearly
define priorities regarding people or place, amelioration of poverty or slum conditions (Frieden
and Kaplan 1987).

Furthermore, upon implementation, Model Cities was spread significantly more than
originally intended. Originally, the legislation contained funding for 75 cities; however, Model
Cities doubled to 150 in the first year leaving half as much money per city grantee. Like many
programs, Model Cities fell victim to the politics of Washington. Many congressional members
saw Model Cities as another form of pork to take home to their jurisdiction. Thus, in order to
satisfy political pressures the number of Model Cities designations was increased. Also, initially,
Model Cities was to fund a model neighborhood in 75 cities, then offer a couple priority supports
and services. Under HUD's comprehensive policy the actual number of separate services ranged
from a low of 11 to Atlanta's prodigious 72, with a median of 42 (Post 1973). Obviously, this
thinning of the funding across jurisdictions and services had an impact on the potential results of
the program.

Although Model Cities is viewed as unsuccessful, there is little empirical data to validate
the claim. Rossi contends this is because Model Cities is the kind of program whose goals are
too broad and vague to permit adequate evaluation (Rossi 1972: 18, 44). The few published
studies are marked by soft data and judgmental disagreement (Hinckley 1977). In addition,
Model Cities has been disparaged for not demonstrating noticeable outcomes. Some have
criticized the incongruity of coordination and innovation, especially when under political fragmentation (Banfield 1973; Kaplan 1973; Marris and Rein 1973). Yet, others have criticized the weak resident participation (Hallmen 1970; Marris and Rein 1973). Also, Hinckley (1977) finds mixed results when attempting to gauge success of the program according to resident opinion. However, some have found positive results such as overall success in specific cities (Washnis 1974).

Model Cities did achieve some success as well as give policymakers lessons for the future. Most importantly, Model Cities dealt head on with the problem of how to move federal dollars into the poorest urban neighborhoods (Frieden and Kaplan 1977). The program was an obvious success in providing resources to urban communities of concentrated poverty and minorities, although the history of Model Cities was fraught with political conflict and controversy (Haar 1975; Frieden and Kaplan 1975). Moreover, during a time filled with angst and urban unrest, regardless of the value of the services rendered, Model Cities may have been symbolically important.

Enterprise Zones

In the mid 1970s, economist Peter Hall introduced the concept of enterprise zones as a method to revitalize Britain's declining industrial cities. Hall proposed urban “freeports” where there would be no government regulation, taxes or services (Hall 1977). Hall theorized that the elimination of government intervention in designated areas would create an open market environment that would spur private business relocation and investment into the areas. Hall’s envision was tempered a bit, named enterprise zones and enacted by Parliament. Britain’s enterprise zones possessed tax exemptions and streamlined procedures, but were not completely free of government involvement.
Almost immediately the enterprise zone concept was transported across the Atlantic by Stuart Butler, an economist at the Heritage Foundation. Butler argued for the virtual elimination of taxes and government regulation to create the most attractive possible environment for free enterprise to flourish (Butler 1981). Although British enterprise zones were located in industrial parks, Butler advocated for the concept to be applied to urban low income neighborhoods. Enterprise Zones were promoted by Reagan, because it was the urban complement to the general conservative strategy of cutting taxes and regulation to stimulate economic growth and it was consistent with the administration's views about proper relations between the public and private sectors (Green and Brintnall 1987; Butler 1991). Essentially, enterprise zones supply direct benefits to business and then hope they will “trickle down” and assist communities and poor people.

Although the enterprise zone concept received bi-partisan support, there were still numerous criticisms surrounding the general theory of the concept. First, one can see that enterprise zones may oversimplify the issue of distressed urban communities by claiming the failures of the neighborhood economy are exclusively due to public sector barriers to businesses. Therefore, enterprise zones do not deal with all of the social and economic problems such as inadequate infrastructure, the lack of educational and employment opportunities, years of public disinvestment and the concentration of poverty. Mounts (1981) argues that enterprise zones may bring new economic activity into the zones, by simply shifting away businesses from some other part of the city; therefore, making adjacent communities instable. Witthans (1984) projects this will occur by demonstrating that work will relocate from areas which are economically healthy to an Enterprise Zone. Yet, others worried that enterprise zones may become a replacement for
current supports and services for the community and residents (Kailo 1982). Regardless of the criticisms, enterprise zones saw enactment in numerous state legislatures.

Enterprise zones in the US were enacted at the state, not national level. Although introduced in both the Reagan and Bush administrations enterprise zone legislation never passed. However, numerous states enacted both urban and rural enterprise zones. Across states enterprise zones differed in their composition. Green and Brintnall (1987) found that states were experimenting and adapting the enterprise zone concept. Then and today property tax reduction or exemptions based on improvement to zone realty are the most common types of zone tax incentives. Others are sales tax concessions for materials bought, used and/or sold by EZ businesses; investment tax credits for significant purchases by zone concerns; and employer credits for selective hiring (Wolf 1990).

The success of state enterprise zones has been highly debated. This could be because most analysis does not generate generalizable empirical data and conclusions, but rather are case studies, and because enterprise zones vary and have been utilized for different purposes (Green and Brintnall 1987). In addition, because of the variation in objectives, management methods, rules and incentives it is difficult to determine criteria for comparison of zones and the results from one enterprise zone are not generalizable to another. Also, Wolf (1990) contends many of the enterprise zone publications are based on simple counting -- adding up employment and investment figures provided by “government agencies anxious to paint a bright picture.” This does not control for other possible explanations for the apparent growth. Furthermore, Gunn (1993) contends that there are five issues that limit efforts to answer question about enterprise zone effectiveness: lack of a long term timeframe in studies, quantity and quality of data, lack of experimental controls and baseline data, the complex nature of macroeconomic theories and
political factors. Most importantly, has been the complex “but for” issue – would investment and job expansion have occurred in these communities without the enterprise zone designation.

The few evaluations of enterprise zones which have used empirical data possess numerous methodological challenges and do not attempt to adequately address the “but for” issue. For instance, Elling and Sheldon (1991) use regression analysis to assess the impact of enterprise zone characteristics on the differences of success in economic growth in Illinois, Indiana, Kentucky and Ohio state enterprise zone programs. Although they do consider contextual factors, such as population size of the encompassing jurisdiction, they do not control for the regional or local economy and its factors. The US General Accounting Office (1998) found employment gains in three Maryland enterprise zones using survey data; however, the improvement could not be solely accredited to the enterprise zone. Also, GAO’s methodology did not account for contextual factors, such as the regional economy and they did not survey businesses that went out of business or relocated out of the zone. Likewise, Rubin and Wilder (1989) found Enterprise Zones in Evansville, IN, made the areas more competitive in business location decisions. However, there are research design problems with their study. In order for such a study to be meaningful the comparison areas must be similar. For instance, they compare the enterprise zones to the entire metropolitan area, which is problematic because metropolitan areas are too heterogeneous and the economic factors affecting an entire regional economy may be significantly different than those shaping the particular zone area (James 1991).

Surveys have been heavily utilized to gather data for studying enterprise zones. Erisckson, Friedman and McClusky (1991) surveyed program administrators and determined that “enterprise zones are no ‘miracle cure’ or panacea for economic distress, but notable improvements have occurred.” Also, Rubin and Armstrong (1989) conducted an attitudinal
survey of business owners in the zones regarding the incentives offered. Unfortunately surveys of such interested parties cause issues of quality and reliability with the data yielded because businesses may exaggerate the effectiveness of the incentives for fear of losing them or the program altogether. Policymakers may have realized that enterprise zones were addressing only part of the issues within distressed urban communities. Although successful enterprise zones trigger zone investment and produce jobs, this is not necessarily the entire community development picture. With few exceptions (Rubin and Wilder 1989), most enterprise zone studies have focused on business investment rather than the ultimate outcome of interest – employment or economic development for zone residents. In their addressing of one market failure, the zones may be isolated from the environment in which they reside – there is no holistic view of the community. Essentially, the economic, social and political linkages present in a communities are not addressed by enterprise zone approaches (Clarke 1982). To be successful in areas of concentrated poverty, a policy is needed which takes a holistic approach to the numerous issues which have caused such a dire condition within these communities.

Empowerment Zones

In early 1990s, social unrest in Los Angeles called attention to urban problems more generally. The compartmentalized social service programs were not successfully assisting residents in improving their overall quality of life and the ill effects of decades of disinvestment in urban America were taking their toll. With forty percent or more of residents below the poverty line, mostly children, these areas of concentrated poverty required a holistic public policy to address the situation by providing resources, opportunities and investments in human capital. In 1994 the new Clinton administration made campaign promises of prioritizing issues in urban America. The argument made by the Clinton administration was that “in order for an
urban neighborhood to be viable it must act as a unit with all its parts supporting the whole…to be successful, the problems faced by communities must be tackled head on with one comprehensive strategic plan reflecting all of the community’s needs (US HUD 1994).” As a result, enterprise zones and Model Cities were combined as the Empowerment Zones/Enterprise Communities Program was enacted as part of the Omnibus Budget Reconciliation Act of 1993. Empowerment Zones are a break from previous federal government involvement with urban policy programs during the 1980s. Empowerment Zones (EZs), extend past depending on the invisible hand of the market and providing direct grant in aid to residents to fulfill individual needs such as food, shelter and health insurance. Essentially, President Clinton's 1993 adoption of the Empowerment Zone/Enterprise Community (EZ/EC) legislation grew out of an adaptation of the enterprise zone idea, and the belief that more than tax incentives were needed to develop poor communities and promote economic self-sufficiency (Mossberger 1999). Enterprise zones were combined with the Model Cities’ logic of concentrating resources in sufficient magnitude to demonstrate what qualified communities can do (Haar, 1975). Also, policymakers purposely avoided the mistakes of Model Cities, like spreading the program to too many areas causing less funding which could potentially lead to less of an impact (Mossberger 1999). Thus, the EZ/EC program creates Empowerment Zones by blending tax incentives with Title XX Social Services Grant funds in rural and urban communities. Initially, there were six urban Empowerment Zones receiving $100 million in Title XX funds, three rural Empowerment Zones receiving $40 million and two supplemental urban areas receiving varied amounts. In addition, the business incentives for the Empowerment Zones include: a 20 percent employer wage credit for the first $15,000 of wages paid to a zone resident who works in the zone; increased allowances from $10,000 to $20,000 for expensing of depreciable property in the first year of business; and expanded use of
tax-exempt local and state bond financing when used for certain zone properties. Over the past decade, the program has grown substantially and includes over 30 areas (US HUD 2003). This study will focus specifically on the original six urban Empowerment neighborhoods in Atlanta, Baltimore, Chicago, Detroit, New York and Philadelphia/Camden. These cities received more in terms of direct funding and tax incentives, and have also been in existence longer. Therefore, any effects to the Empowerment Zone program, including a holistic approach, would be more noticeable in the first wave of Empowerment Zones.

Similar to Model Cities, the EZ grant process aimed to mobilize local leadership and involve citizens, rather than “maximum feasible participation,” however, Empowerment Zones required submission of a strategic plan that details a "coordinated economic, human, community and physical development plan." (P.L 66 1993) Undergoing this planning process ensures that individuals understand local economic development Blakely (1994) contends. The EZ grant process inspired local policymakers, community organizations, businesses and residents to attempt to understand and articulate the reasons for the resources, needs and requirements of their community. Furthermore, the EZ/EC grant application process the federal government inspired local economic development officials to ask the hard questions. What structural forces were at work in our community to cause this situation? How do we confront such an issue that is also imbedded in the regional, as well as national economy? What resources and assets does the neighborhood possess? How do we put them to work for the community and residents? Answers to these questions may vary depending on what constituency an individual represents. However, the grant process required a consensus be achieved to determine what would be done if awarded EZ designation. Therefore, localities had to determine their best strategies for securing a more successful economic future by carefully evaluating and accomplishing the best understanding of
their physical and human resources, the deficiencies present in the community and resources needed to construct a self-sustaining economic system within the neighborhood. Unfortunately, the process was not always as easy as federal policymakers had anticipated. For instance, Bockmeyer (2000) finds distrust and politicizing issues was integral to decision making in Detroit.

Since implementation began, almost a decade ago, enough time has now elapsed to reasonably assess impacts. Each designated EZ program has been developed through a strategic planning process with interested stakeholders determining the components necessary to address the community's unique needs. This has lead to variation in EZ composition, implementation and outcomes. Process evaluations have benchmarked the EZ program success in meeting performance objectives, such as serving a target number of clients. For example, US HUD's interim evaluation found that there were additional jobs in five of the six EZs and the number of EZ residents employed in EZ businesses had increased (Abt Associates 2002). Also, US GAO (1999) has found that larger businesses take advantage of the business tax incentives. Early on, US GAO (1998) also documented the varied implementation progress on economic development activities of the zones: Baltimore and New York had implemented most of their economic development activities; however, Atlanta had only established their comprehensive organization which provided technical and financial assistance. Although the report examined the EZ in their nascent stages, the implementation timeline may be important to note, because it may explain impact differences that occurred later. Also, early in the implementation stage, Gittell and colleagues (1998) found that mayors were controlling the process, existing networks were reused, and community organization roles were limited in the strategic planning for the zone.
Similarly, O'Neal and O'Neal (2003) also found that an agency's mission and budget were a factor in their role in the planning process.

However, given the minimal number of evaluations of the Empowerment Zones, the hard questions have yet to be asked and answered. Have Empowerment Zones made a difference in the lives of the residents? How can one empirically demonstrate the differences in outcomes? If there is a difference in the outcomes, how much do EZs make a difference? Does the variation in how holistic an approach is matter? Is it the holistic approach that is the primary driver of the difference in outcomes? If successful, can the program go to scale or be replicated? Currently, there is more speculation regarding these questions than empirical evidence.

APPROACH

This dissertation will study the impact of the Empowerment Zones' holistic approach in revitalizing areas of concentrated poverty. It will respond to three hypotheses taken from the current literature in local community economic development.

- **Hypothesis 1:** Because the Empowerment Zone (EZ) initiative aims to create economic opportunity, encourage self-sufficiency and promote sustainable development, I hypothesize that EZ areas will have improved socioeconomic outcomes compared with similar areas that have not been served by the program.

- **Hypothesis 2:** The six Empowerment Zones will not have exactly the same outcomes. Variation in the EZ program composition and quantity from city to city has an effect on socioeconomic outcomes (i.e. income and educational attainment) of citizens.

- **Hypothesis 3:** Successful implementation of a broad array of programs is linked to greater positive change in Empowerment Zones.
To test the research hypotheses and study the impact of Empowerment Zones on the welfare of urban residents, a quasi-experimental research design will be employed, along with case studies of two zones. Census tracts are the unit of analysis and the sample will include all poverty level census tracts in each city, including those designated as an empowerment zone and those that are not. It is imperative to provide a standard for what may have happened without the program intervention, essentially to deal with the “but for” issue (Would these outcomes have occurred anyway?). One cannot compare a designated community with the overall metropolitan area because the metro area is too heterogeneous (James 1991). I will use the eligible census tracts that were not chosen for designation as a comparison group because prior to the EZ designation they were similar to the EZ tracts in socioeconomic status of residents. In addition, by comparing eligible high-poverty census tracts that were designated with those that were not, the statistical models will control for regional economic factors and other local programs addressing poverty and economic development.

Census tracts from the six cities will be pooled and analyzed using cross-section multivariate regression. The data is from the 2000 US Census. Unlike survey data gathered from program administrators, the US Census data provides unbiased reliable measures. Because this is a comprehensive program with many dimensions, it is necessary to evaluate a variety of potential impacts of the program to determine its success (James 1991). Furthermore, outcomes to be investigated were chosen because of their representativeness of the guiding principles of the Empowerment Zone program. The data will be used to determine whether there is a statistically significant difference in individuals living below the poverty line, median household income, unemployment rates, educational attainment and number of business establishments between EZ census tracts and non-EZ census tracts that would have qualified for EZ designation.
in the six cities with the original EZs. By examining the differences at the individual level, this approach will be more comprehensive by investigating the ultimate outcomes of the Empowerment Zones rather than many studies, which simply investigate business investment.

Besides designation as an Empowerment Zone (census tract coded either 1 for EZ or 0 for otherwise), the statistical models will control for other factors that may affect measures of economic well-being, including population density, racial diversity, median age, single-parent households, as well as the size of various market sectors (industrial, service, etc.) measured at the metropolitan statistical area. The census data provides a uniform and reliable set of measures for determining the outcome at the neighborhood or census tract level.

To measure the scope of implementation of programs in Empowerment Zones, I will also create an index of empowerment zone program components based on the number of programs under the US Housing and Urban Development categories including capacity building, workforce development, businesses assisted, access to capital, public safety, infrastructure, health, education, and human services. To create this index I will sum the total number of programs for each EZ in each category. I will then give additional weighting based on the degree of equitable distribution of programs -- if the number of programs is more equitable across all of the categories. For instance, a zone with 20 access to capital programs would not achieve as high of a score on the index as a zone with 20 programs in the areas of access to capital, health, education and infrastructure. The index serves as a second primary explanatory variable in a multivariate regression analysis to test the relationship between Empowerment Zone program scope and socioeconomic outcomes. Analysis of the impact of EZ program features on socioeconomic conditions will be used to select the two cities to serve as case studies.
Finally, based on the outcome of the quantitative analysis, I will complete a case study analysis of two EZs that contrast sharply in terms of outcomes. A primary focus of the case studies will be whether successful implementation of a varied program mix is related to better outcomes. Also, I will investigate factors other than holism that could have impacted the outcomes, like existing government programs, the role of collaboration with community organizations and the local economy. A key concern is whether successful implementation of a broad array of programs is linked to greater change in Empowerment Zones. The case study analysis will require interviews, meeting minutes and other documents gathered from the administrative files.

**Contributions of the Proposed Research**

This dissertation will enrich our understanding of the utility of holistic strategies in distressed communities. Furthermore, research on the EZ initiative has been limited to evaluations of processes, implementation and individual program objectives, such as number of people served. This dissertation will fill a void by focusing on assessing the overall community outcomes achieved at the community level. Thus, this research will help advance both theory and practice by providing an understanding of whether a multi-pronged approach, such as Empowerment Zones, is useful, and whether certain types of programs have more impact.

**Dissertation Organization**

The dissertation will be organized as follows:

- Chapter one will layout the justification for the research by providing an overview of concentrated poverty, both its causes and effects. The chapter will also introduce the research design. In addition, At this point in the dissertation, I will present my thesis: a
holistic approach to local community economic development will significantly affect communities of concentrated poverty by decreasing the number of people below the poverty line and unemployment rates, as well as increasing educational attainment, household income and the number of business establishments in the community.

• Chapter two will provide the theoretical basis for Empowerment Zones. It will also supply an overview of the Empowerment Zone/Enterprise Communities legislation, as well as a discussion of its evolution from Model Cities and state Enterprise Zones.

• Chapter three will explore the published reports of Empowerment Zones’ success and overall status.

• Chapter four will present the analysis of Empowerment Zones. Using US Census data, multivariate regression will be presented to demonstrate the relationship between empowerment zones and socioeconomic outcomes.

• Chapter five will provide the second step of analysis of the EZs to determine if the scope of the program has an effect on outcomes. Also, this chapter will provide the construction and rating of the index of holism for the EZ communities to demonstrate differing program scope.

• Chapter six will present the case study analysis of two Empowerment Zones. This analysis will further demonstrate the effect of a varied program mix on outcomes. In addition, it will also examine factors other than holism that could have impacted the outcomes.

• Chapter seven will conclude the research with a discussion of the findings and their policy implications.

Research Funding

Although this dissertation does not require an excessive amount of research funding, I have attempted to garner fellowships that will offset my costs incurred. I have applied for a Ford
Foundation Dissertation Fellowship for Minorities and a Miller Center for Public Affairs Fellowship. In addition, providing that federal funding continues, I plan to also apply for the US Department of Housing and Urban Development Doctoral Dissertation Research Grant.
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