

Citizen Participation and Economic Development Policy:

Exploring Impacts of Citizen Participation in Local Economic Development on Local Economic Prosperity and Equality*

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Abstract

Local governments have created economic development strategies to enhance local economic performance. Citizens, for-profit and non-profit organizations involve in designing local economic development strategies. Despite the growing roles of citizens in developing the strategies, The outcomes of citizen involvement in economic development arenas remain unclear. This study clarifies how citizen involvement in economic development policy making is associated with local economic prosperity and equity by employing a local economic development survey and the Census data. The results report that citizen involvement in economic development policy has positive impacts on median house income, Gini Index and poverty rate.

Key Words: Citizen Involvement, Economic Development Strategies, Economic Prosperity and Equity

I. Introduction

Over the past several decades, citizen participation in government has received much attention from both scholars and practitioners because of the potential benefits of participation. Research indicates that public participation increases democratic outcomes since citizen involvement efforts expand public inputs in administrative and policy processes (Dahl, 1967; Nabachi, 2010; Robert,

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2004). Previous studies have addressed that citizen involvement efforts produce normative and instrumental benefits. Government can normatively legitimize their decision-making by informing, educating, persuading and empowering citizens in administrative and policy processes (Arnstein, 1969; Innes & Booher, 2007; Irvin & Stansbury, 2004; Kim, 2014; King, Feltey, & Susel, 1998; Thomas, 1990). In addition to the normative benefits, government produces instrumental benefits by obtaining citizen's innovative ideas in making or implementing public policies (Moynihan, 2003; Robert, 2004). A problem is that few study has explored the outcomes of citizen participation in economic development policies. Given that local governments collaborate with various local partners in designing economic development strategies, the scarcity is a barrier to effectively seeking local economic development plans. Furthermore, developmental managers need more robust evidence on how much particular participation mechanisms improve the outcomes of economic development policies because implementing participatory programs entail considerable costs (Neshkova & Guo, 2012; Wang & Thomas, Forthcoming).

To address the empirical limitations, this study conceptualizes various participation mechanisms in local policy decision-making processes and review how particular citizen participation mechanisms are used in economic development policy decision making. It investigates whether citizen participation in economic development policy making is associated with various local economic development outcomes such as economic prosperity and equity. For an empirical test, a citizen participation mechanism and economic development outcomes are measured from a local economic development survey and U. S. Census data. A series of regression analyses are conducted to test the causal relationships between such participation mechanism and multiple economic performance dimensions.

II. Citizen Participation Mechanisms in Local Governments

Various public participation institutions exist in government decision making processes. Scholars have argued that there are two types of participation mechanisms in political and administrative processes (Yoo, 2014; Vigoda, 2002; Vigoda & Mizrahi, 2007; Wang & Wan Wart, 2007). Political participation has been popular in political science. It includes people's engagement in political activities, such as voting, political party membership, participating in political campaigns, involving in lobbying and signing petitions on political issues (Brady, Verba, & Schlozman, 1995; Tolbert & Smith, 2005; Vigoda, 2002; Vigoda & Mizrahi, 2007). In addition to political participation, citizen participation in administrative or policy processes has been noted in the studies of public administration (Baker, Addams & Davis, 2005; Callahan, 2002; Ebdon & Franklin, 2004; Fung, 2006; Ho & Coates, 2002; Stewart, 2007; Wang, 2001; Yang & Kallahan, 2005). Citizen participation mechanisms include a variety of government programs designed to achieve democratic legitimacy

(Irvin & Stansbury, 2004) as well as to improve government performance by reflecting citizens' innovative ideas and demands in the operation of government (Neshkova & Guo, 2012).

Scholars have conceptualized various citizen participation to describe the aspects of citizen participation processes. A conventional work of Arnstein (1969) claims that the levels of citizen participation are arranged in a ladder: non-participation (manipulation, therapy), degree of tokenism (informing, consultation, placation), and degree of citizen powers (partnership, delegated power, citizen control). Although Arnstein's classification is useful in explaining the purpose of public participation, Stewart (2007) also categorizes actual citizen participation programs according to the levels of agenda setting control (operational, strategic, and normative) and decision-making control (informative, consultative, delegative). The conceptualization provides a useful framework which portrays the modes of actual citizen participation used by government.

From such conceptualization, citizen participation mechanisms in local governments are generally categorized by the extent to which decision-making is empowered to citizens: (1) Delegative (integrative communication), (2) Consultative (two-way communication), (3) Informative (one-way communication). First, delegative mechanisms allow citizens to make policy or administrative decisions. Citizens have substantive decision powers in government decision makings when using these mechanisms. King, Feltey, and Susel (1998) argue that government believes that greater participation increases inefficiency, such as delays and red tape, and thereby, seek unauthentic citizen participation, as a tool of 'window dressing'. Many unauthentic citizen participation programs may exist in actual participation mechanisms and thus, delegating government decision-makings to citizens contributes to authentic citizen participation by granting citizens' empowerment on critical policy decision-making. For instance direct democracy provisions in municipal charters are designed at the delegative mechanisms. At the local level, initiative, referendum, and recall have been adopted to directly grant citizens to have policy decision making powers (Maser, 1998). In addition to direct democracy provisions, citizens make administrative or policy decisions in citizen authority/board or citizen juries where decision-making are delegated to citizens.

On the other hand, many citizen participation mechanisms are designed to ensure citizens' ideas or opinions in decision-making or to inform citizens of such decision-making. At the consultative stage, local governments provide channels for citizen feedback in decision-making processes. Such mechanisms permit citizens to express their ideas and views, but the final decisions are made by the government. A number of consultative tools exist in the arenas of citizen participation mechanisms. Local governments allow elite citizens' inputs by organizing advisory citizen board committees, citizen focus groups and panels. Public hearings or open forums provide more citizens with a participatory arena where they can learn about the issues of government operations and public services and express their opinions on them (Cole & Caputo, 1984). Citizen surveys and citizen-initiated performance management initiatives enable local governments to design and operate

their performance management systems from the citizens perspective (Carrizales, 2004).

At the informative stage, government does not allow citizens to express their ideas or opinions. Only government announces or advertises public services or important political or policy decisions through one-way channels. For example, local governments inform or persuade citizens by advertising the changes or launches of local services, mailing or emailing newsletters on local services and posting administrative or policy decisions on local government webs. <Table 1> displays the examples of different types of participation mechanisms conceptualized by this study.

<Table 1> Different Types of Citizen Participation Mechanisms

Degree of Empowerment	Example of Citizen Participation Mechanisms
Delegatory (Integrative)	Initiative Referendum Recall Decision-Making Citizen Board or Commission Citizen Juries
Consultative (Two-way)	Advisory Citizen Board or Commission Citizen Panel or Focus Group Council/Neighborhood Meeting Public Hearing, Open Forum Ad hoc Task Force Citizen Survey, Citizen-Initiated Performance Measurement Televised Hearing, E-Forum
Informative (One-way)	Local Government Services Notices Administrative Decisions Release e.g. Advertisement, Mailings, TV, Newsletter, E-Mail, Web-posting, Social Networking Services

Ⅲ. Theoretical Background: Citizen Participation in Economic Development Policy

A tradition of local economic development is a competitive approach. Public choice theory assumes that local governments compete to attract and retain businesses within their local jurisdictions through tax abatement or pro-business zoning (Feiock, 2002; Tiebout, 1956; Ostrom, Tiebout, & Warren, 1961). The approach has been believed to produce economic development outcomes such as increased income and employment. As opposed to the competitive approach, the recent theories emphasize collaborative approach among various local actors (Agranoff & McGuire, 1998, 2001; Huxham & Vangen, 2005; LeRoux, Brandenburger & Pandey, 2010; Meier & O'Toole, 2003). According to collaboration theory, local governments are not fully responsible for economic

development strategies. Citizen, for-profit and non-profit organizations involve in economic development activities and cooperate to yield meaningful outcomes. For example, local governments create economic development partnerships and joint ventures (Olberding, 2002; Hawkins, 2010).

In addition to creating economic development institutions, multiple actors design or implement economic development strategies together. In particular, citizens play a pivotal role in effectively designing economic development strategies or plans. Citizens are more independent or neutral than other partners, which enables them to suggest various ideas and proposals for local economic development. The discourse theory assumes that local economic prosperity can be built from the works of democratic citizenship, vibrant civil society and community, and policy discourses between bureaucrats and citizens (Denhardt & Denhardt, 2000). Bureaucrats listen to citizens' opinions and suggestions and apply them to local economic development policy. These efforts produce desirable outcomes through deliberative processes between local bureaucracy and citizens by enabling local governments to make effective economic development policy. Studies also indicate that citizen involvement in local economic development activities makes a substantial contribution to local economic development activities (Agranoff & McGuire, 1998; Moynihan, 2003).

IV. Hypotheses: Outcomes of Citizen Participation in Economic Development

Public participation in policy processes plays an important role in providing citizen with meaningful and equal opportunities to access decision-making, which produce desired policy outcomes. Despite policy outcomes influenced by public participation, current studies on public participation have focused on the adoption and implementation (Brady, Verba, & Schlozman, 1995; Ebdon, 2000; Wang, 2001; Yang, 2007). We empirically explore the links between participation mechanisms in economic development policy and local economic policy outcomes. First, citizen participation in policy processes contribute to the effectiveness of policy decision-making by enabling local governments to reduce decision-making errors. In many cases, bureaucrats are bound by their narrow professional knowledge or experiences, and, thus, lead to a failing decision-making. However citizen inputs in public hearings or citizen boards or committees help bureaucrats recognize the citizen specific preferences and problems in policy or administrative decision making processes, which improve the quality of decision-making.

Collaboration with citizens as partners is also an import factor to improve policy outcomes (Vigoda, 2002). Weberian bureaucracies with hierarchical order and strict rules are replaced with collaboration which requires negotiation, participation and cooperation with citizens. More information, ideas, and resources come from citizens to local officials through these administrative

participation channels. Bureaucrats and citizens carefully engage in dialogue and deliberation to solve complex local challenges and coproduce urban services (Percy, 1984; Wagenaar, 2007). The collaborative efforts can help to achieve intended objectives by increasing the outputs and outcomes of local services, policy and programs. In addition, citizen participation mechanisms enhance local community outcomes by supporting the use of performance measurement and requiring local governments to report performance to citizen entities. Reporting the outputs and outcome of public programs to citizens directly motivates local governments to engage more in local government performance management and measurement, which is conducive to improving local policy outcomes. Many city and county governments report the service efforts and accomplishments to citizen boards or commissions (Poister & Streib, 1999; Berman & Wang, 2000).

The benefits of citizen participation are applicable to local economic development activities. Citizen participation in economic development policy making contributes to enhanced economic outcomes by helping local governments reduce decision-making errors, collaborate with external actors, and track economic development outcomes. For example, advisory neighborhood commissions and a citizen summit in Washington D.C. designed a strategic plan conducive to achieving desired community economic outcomes (Moynihan, 2003). Rock hill, South Carolina has implemented a 10 year strategic plan called Empowering the Vision (ETV). It was initiated by citizen participation and achieved both tangible and intangible results (Wheeland, 2003). Citizens in these mechanisms point out the problems of existing economic policies, suggest critical ideas for local economic development and measure community economic development indicators.

H1: When local governments use citizen participation mechanism in economic development, they are more likely to be economically prosperous.

Social equity is an important democratic value that has been often neglected in the empirical studies of public administration (Frederickson, 2010). The purpose of citizen participation is to reinforce the democratic ethos by expanding a variety of societal groups' access to bureaucracy (Nabatchi, 2010). Despite the democratic purpose, few studies have empirically explored whether citizens' enhanced access contributes to more equitable policy outcomes in a quantitative study. There are conflicting views regarding the relations between citizen participation and equity. Some scholars argue that citizen participation may ironically decrease equality in society because ethnic and religious minority, women, and indigenous and disable people are excluded in the participatory mechanisms (Kweit & Kweit, 1981; Robert, 2004). Even though local governments adopt a citizen participation channel to expand citizen inputs in decision-making processes, members of disadvantaged groups often lack the time and knowledge to actively engage and, thus, their voices and references are neglected. For example, many citizen advisory committees or boards and public hearing are not representative because white

and male populations may dominate the programs (Franklin, Ho, & Ebdon, 2009).

On the contrary, others emphasize the roles of citizen participation on the outcome of equity (Nabatchi, 2010; Vigoda, 2002). Vigoda (2002) argues that the New Public Management does not consider the values such as fairness, justice, representation, and participation, and the ignorance is troublesome. Public services must take into account social welfare, equity, equal opportunities by examining citizens' attitude and feelings through public participation channels. Democratic ethos for social equity is enhanced by informing and educating a variety of social groups, and collaborating with these groups (Nabatchi, 2010). In practice, local governments attempt to include underrepresented groups' voices in the administrative or policy decision making processes by ensuring diverse groups' involvement in citizen boards or public hearing. Citizens can also modify the standards of performance measures suggested by local government and add equity-related performance indicators in the citizen initiated performance measurement, including the outcomes or output for diverse societal population groups (Ho & Coates, 2002).

In local economic development policy, equity problem are salient because the recent economic crisis has aggravated economic equity. If the citizen participation mechanisms in economic development ensure low-income population's benefits, it reduces local economic gap by reflecting more disadvantaged' groups' opinions, and, it worsens economic inequality, if not. This study clarifies the nebulous association by suggesting the following hypothesis.

H2: When local governments use citizen participation mechanism in economic development, they are more likely to be economically equitable.

V. Research Design

1. Data Collection

A few datasets were employed to measure the dependent and explanatory variables. These variables are derived from the ICMA economic development survey (2009) and the Census Population (2000, 2010). For the dependent variables, this study measures economic community outcomes from the U.S. Census Population (2010). For the independent variables and control variables, we used the ICMA economic development survey (2009). For this survey, 3,283 municipalities and counties with populations over 2500 in the United States were randomly selected, and letters providing a web address (URL) were mailed to their chief administrative officers in order to ask a variety of questions about local economic development policies. Community demographic indicators was collected from the U.S. Census Population (2000) to measure several control variables.

2. Variables

Dependent variables measure local economic prosperity and equity from the Census Population (2010). Economic prosperity was measured by two economic indicators such as median house income and unemployment rate within a community. Gini index and poverty rate were employed as indicators which measure economic inequality as used by prior studies (Ammar et al. 2001; Krishnakumar, Martin & Soguel, 2010). Citizen participation in local economic development, an independent variable was measured by an single item of the ICMA Economic Development Survey (2009). When local governments allow citizen boards/commissions to participate in developing economic development strategies, it was coded as “1” and otherwise, as “0”.

Similarly, for-profit and non-profit organizations’ participation in local economic development were used as control variables. If local governments allow private companies to participate in developing economic development strategies, they are respectively coded as “1” and if not, as “0”. The participation of non-profit regional organization in developing economic development strategies was coded as “1” and if not, as “0”. Several variables were also selected as other control variables. We included population, ethnic diversity, educational level, south region and form of government. Population was measured by the logarithm of population, and diversity was measured by the Herfindahl-Hirschman Index. Educational level was measured by the percentage of local residents with bachelor degree. These variables were from the Census Population (2000). South regional areas were coded as “1”, and other areas were coded as “0”. The council-manager form of government was coded as “1” and other forms as “0”. These structural and geographic variables were identified by the ICMA survey. <Table 2> displays the definitions and sources of the variables used in the study.

<Table 2> Definitions and Sources of Variables

Dependent Variable (Measures)	Sources (Year)
Economic Prosperity: Median House Income, Unemployment Rate,	Census of Population (2010)
Economic Equity: Gini Index, Poverty Rate	Census of Population (2010)
Explanatory Variables (Measures)	Sources (Year)
Participation of citizen board/commission in developing local economic development strategies (Yes: 1, No: 0)	ICMA Economic Development Survey (2009)
Participation of private company in developing local economic development strategies (Yes: 1, No: 0)	ICMA Economic Development Survey (2009)
Participation of regional organizations in developing local economic development strategies (Yes: 1, No: 0)	ICMA Economic Development Survey (2009)
Presence of local economic development plan (Yes: 1, No: 0)	ICMA Economic Development Survey (2009)

Per capita local economic development budget	ICMA Economic Development Survey (2009)
Population: Log population	Census of Population (2010)
Population Diversity: Herfindahl–Hirschman Index	Census of Population (2000)
Level of Education: Percentage of residents with bachelor degree	Census of Population (2000)
South Region (South; 1, No: 0)	ICMA Economic Development Survey (2009)
Form of Government: (Council manager form: 1, No: 0)	ICMA Economic Development Survey (2009)

VI. Statistical Findings

1. Descriptive Analysis

The descriptive analysis (Table 3) report the values of primary variables. Specifically, it describes how much different local actors participate in developing economic development strategies. Specifically, 35.3% of local governments take advantage of citizen board/commission in developing local economic development strategies. 38.9% of private companies joined creating economic development strategies. 37.0% of regional organizations involve in developing local economic development strategies. <Table 3> represents the mean, standard error, minimum and maximum values of entire variables employed in our study.

<Table 3> Descriptive Analysis of Variables

Variable	Mean	SD	Min	Max
Median House Income	56,883	22,511	20,362	237,135
Unemployment Rate	7.888	3.035	1.9	31.7
Gini Index	0.429	0.048	0.305	0.582
Poverty Rate	13.53	7.862	1.8	48.4
Citizen Board/Commission	0.353	0.478	0	1
Private Company	0.389	0.487	0	1
Regional Organization	0.370	0.483	0	1
Economic Development Plan	0.542	0.498	0	1
Per capita Economic Development Budget	17.72	82.16	0	1434.12
Population	106,948	40,981	9,354	9,639,633
Diversity Index	0.332	0.167	0.026	0.754
Educational Level	30.74	15.24	3.8	85.1
South Region	0.313	0.464	0	1
Form of Government	0.643	0.479	0	1

2. Statistical Results

Hypotheses were tested with several Ordinary Least Square (OLS) multivariate regressions because the dependent variables were continuous variables. Overall, four models were tested. Two models examines the impacts of citizen participation in economic development strategies on economic prosperity such as median house income and unemployment rate. Other two models tested whether economic equity indicator such as Gini Index and poverty are influenced by citizen participation in economic development strategies. The multicollinearity and residual normality were conducted to identify whether our data meet the OLS assumptions. The tests reported that all regression models did not violate the OLS assumptions. F-value tests were also conducted to check the overall fit of the regression model, and the F-values of all models were statistically significant. <Table 4> shows the statistical results of our regression models.

<Table 4> Regression Results

Variable	Economic Prosperity		Economic Equity	
	Median Income	Unemployment	Gini Index	Poverty Rate
	β	β	β	β
Citizen Participation	.059**	.020	-.078**	-.058*
For-Private Sector	-.067**	.034	.126***	.079**
Non-Profit Sector	-.046	-.014	.041	.060
Economic Development Plan	-.005	-.103***	-.036	-.029
Economic Development Budget	.042**	.011	.042	-.060**
Log Population	-.005	-.030	.121	-.019
Diversity (HHI Index)	.030	.273***	.013	.173***
Level of Education	.702***	-.532***	.116***	-.407***
South Region	-.123***	-.061*	.239***	.133***
Council Manager	-.028	.020	.053	.039
Number of Observation	739	739	739	739
F-Value	35.19***	43.99***	12.20***	25.76***
R-square	0.531	0.377	0.147	0.259

* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$, β =Standardized Coefficients

Hypothesis 1 were partially supported because citizen participation in economic development strategies is statistically associated only with local income ($\beta=0.058$, $p < 0.05$), rather than unemployment rate. Citizen participation in developing economic development strategies has significantly negative effects on Gini index and poverty rates, and so positive results for economic equity (Gini index: $\beta=-0.078$, $p < 0.05$; poverty rate: $\beta=-0.058$, $p < 0.1$). The results demonstrate that citizen participation in economic development policy decision making plays a key role in enhancing

local economic equity, supporting hypothesis 2. Among control variables, for-profit companies' involvement in economic development strategies has significantly detrimental effects on local economic equity. Economic development plan statistically significantly contributes to lowering unemployment rate within community.

VII. Conclusions and Implications

Since the recent economic crisis, there have been many efforts in boosting local economy. Most of all, what actors involve in economic development policy decision-making is an important factor that determines the direction and outcomes of such economic development efforts. Although government managers, the chamber of commerce, business association have actively involved in policy-decision making processes for economic development, citizen involvement in economic development policy has received little attention from both practitioners and scholars (Agranoff & McGuire, 2001). However, overall, our findings imply that citizen participation in economic development policy are associated with local economic prosperity and equity.

Specifically, the finding reports that citizen participation in economic development policy making is conducive to local house median income. As seen in the U.S. cities such as Washington D.C or Rock hill, South Carolina, citizen involvement in economic development plays a desired role in achieving local economic development strategic goals by accommodating for citizens' ideas and allowing citizen to track economic development outcomes (Moynihan, 2003; Wheeland, 2003). The finding provides local managers with an insight on whom they should collaborate with in local economic development policy making. Recently, Seoul metropolitan government is using a citizen advisory board in examining the security of the Lotte's skyscraper, which is an example about how citizens involve in policy issues related to local development.

Next, the findings reveal that citizens' voices in local economic development policy making have positive impacts on local economic equity by reducing Gini Index and poverty rate. The findings make a contribution to existing scholarly works because the effect of citizen participation mechanisms on equity was found in a large N study, for the first time. Even though there are concerns that only dominant groups may be highly engaged in citizen participation mechanisms (Kweit & Kweit, 1981; Robert, 2004), our findings demonstrate that at least, citizen involvement in economic development policy making lead to better equitable outcomes. Local managers should consider how they pay attention to disadvantaged groups by enhancing their access to policy decision making through many participation channels. In addition to citizen board/commissions, local governments can organize citizen panels, public hearing and council meeting and encourage minority groups to involve in these mechanisms.

An interesting findings are that private company's involvement in economic development policy

making decreases local economic equity. From the competing value perspective, scholars have pointed out that for-profit organizations seek only efficiency, rather than effectiveness or equity (Boyne 2002; Oh, 2013) Our findings are consistent with the arguments. For-profit organizations prioritize profit-maximizing, and thus, is likely to support policy suggestions or implications which benefit them, without considering the equitable effects of economic policies. In Korea, many local governments pursue business friendly economic policies, but they should realize that such policies may have negative impacts on reducing economic inequality.

Even though the findings extend our knowledge, some limitations exist. This study used a single participation channel such as citizen board/commission due to data availability. Future study need to empirically test how various participation channels affect local economic indicators. It also relies on quantitative analyses, and do not describe how citizen ideas are reflected in actual policy-making processes. The qualitative study is needed to capture the detailed contexts of citizen decision making. Lastly, this study examine the relation between citizen participation and economic outcomes in the United States. For increased generalization, a future study need to test how citizen participation in economic development affects local economic outcomes in other countries. Despite these limitations, this study provides the most complete evidence on how citizen participation mechanisms produce desired outcomes, particularly in economic development policy arenas.

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국문요약

시민참여와 경제개발정책: 지역경제개발전략에서의 시민참여가 지역의 경제성과 및 형평성에 미치는 영향분석

오 영 민

박 종 선

지방정부들은 지역경제의 성장을 위해 경제개발 전략을 수립해 오고 있다. 지방정부의 이러한 정책과정에 일반시민들이나 영리, 비영리 조직들이 관여하는 것을 시민참여라 한다. 시민참여는 지역의 경제발전 정책과 전략의 수립에 중요한 역할을 함에도 불구하고 기존연구에서는 이러한 시민참여가 초래하는 지방정부 경제개발계획의 성과와 영향에 대한 문제는 거의 다루지 않아 왔다. 이 연구는, 지역경제개발 정책과정에서의 시민참여가 지역의 경제성과와 경제적 형평성에 어떤 영향을 미치는지를 실증적으로 분석한다. 분석결과, 경제개발계획에서의 시민참여는 지역의 가계소득, 경제적 형평성, 빈곤율에 긍정적인 영향을 끼치는 것으로 나타났다.

주제어: 시민참여, 경제개발정책, 경제성장, 형평성