

## RESEARCH SUMMARY

# Do Business Subsidies Lead to Increased Economic Activity? Evidence from Arkansas's Quick Action Closing Fund

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Targeted economic development incentives are a favorite tool of state politicians and governments to promote economic activity. In spite of their wide appeal, it remains unclear how effective these policies are at attracting and retaining businesses.

In “[Do Business Subsidies Lead to Increased Economic Activity? Evidence from Arkansas's Quick Action Closing Fund](#),” Jacob Bundrick and Thomas Snyder take Arkansas politicians at their word that the state's deal-closing fund is intended to create jobs and to attract or retain businesses. They analyze the relationship between the state's Quick Action Closing Fund and county-level data on private employment and the number of private establishments. The study finds no evidence that the fund delivers on its promises.

### THE QUICK ACTION CLOSING FUND

The Governor's Quick Action Closing Fund (QACF) is one of the most commonly used of many targeted economic incentive programs in Arkansas. The fund allows the state to provide cash subsidies intended to attract new business or economic development to the state or to keep existing business in the state. It is unique among the state's targeted economic policies because it has very few restrictions. It can be granted to any business for any purpose at the discretion of the governor, with very little oversight.

Between the introduction of the QACF in 2007 and the end of fiscal year 2016, the Arkansas legislature appropriated a total of over \$156 million to the fund. The state government credits these subsidies with creating or retaining over 18,000 jobs in Arkansas.

### KEY FINDINGS

The empirical evidence reveals that incentives provided by Arkansas's QACF do not have clear positive benefits for individual counties:

- There is insufficient evidence to demonstrate that providing QACF subsidies to businesses within a given county increases private employment or business creation or retention.
- There is insufficient evidence that the QACF increases employment in adjacent counties through spillover effects.

- There is evidence of a negative effect on the attraction or retention of businesses to counties bordering a county that receives a QACF subsidy, but this effect is too small to be economically important.
- There is insufficient evidence that the methods used to fund the program affect county-level private employment or business attraction or retention.

Contrary to the claims of the state government, at least at the county level, there is no evidence that the QACF delivers on politicians' promises to bring jobs and businesses to the state.