Lost Opportunities:

The Perplexing Persistence of Enterprise Zones

"Opportunity zones, hottest thing going," President Donald Trump touted his major antipoverty program, which he signed into law as part of the Tax Cuts and Jobs Act in December 2017. However, the legislation, designed to revitalize impoverished urban and rural communities through tax and regulatory relief to the private sector, was hardly new. It was merely the most recent version of "enterprise zones," the remedy prescribed by British Prime Minister Margaret Thatcher and American President Ronald Reagan in the 1980s.[1]

Enterprise zones, which would become "empowerment zones" under Bill Clinton, "opportunity zones" under George W. Bush, and "promise zones" under Barack Obama, had hardly been successful. With a few exceptions, they failed to make significant inroads against poverty. Republicans nevertheless have set aside their distrust of government, while Democrats have overcome their wariness of business, and each succeeding president has assured low-income Americans that this time, he would get it right.

Why do presidents from both parties keep resurrecting an idea whose time has never come? The need to act against poverty, the appearance of caring about poverty, the potential for patronage and perquisites, the legacy of public-private partnerships, the limits of the research on enterprise zones, the inertia of the antipoverty infrastructure, and the facade of frugality have combined to prolong the lives of the zones. After examining the record of, the research on, and the rationale behind federal and state enterprise zones, this study concludes that these presidents have been better politicians than businessmen, and the political advantages of enterprise zones continue to outweigh their economic benefits.

The Record

The American notion of enterprise zones (EZ) originated with Republican William F. Buckley, Jr., founder of the conservative magazine *National Review.* In his unsuccessful 1965 run for mayor of New York City, Buckley advocated tax incentives to encourage businesses to locate in underprivileged urban areas and to hire local residents. New York Democratic Senator Robert Kennedy incorporated Buckley's proposal as part of his 1968 plan to revamp Bedford-Stuyvesant, the predominantly African American neighborhood in Brooklyn. Buckley revisited the idea in his 1973 book *Four Reforms,* which he invited California Republican Governor Ronald Reagan to read.[2]

British enterprise zones were the brainchild of Peter Hall, a professor of urban planning, who sought to replicate in the United Kingdom the economic success of its loosely regulated, low-tax colony, Hong Kong. Although Hall was a socialist, conservative Prime Minister Margaret Thatcher adopted his idea, with her approval of a 1980 law that would establish seven enterprise zones across Great Britain.[3]

At the same time, Stuart Butler, a policy analyst at the conservative Heritage Foundation, was promoting the concept in the United States. "Creating new businesses" in distressed inner cities through tax and regulatory incentives, Butler argued, "means adding to the economy" instead of the traditional governmental approach of "redistributing it."[4]

Reagan espoused enterprise zones during his successful 1980 presidential campaign, and he called for their implementation in his 1982 State of the Union address. An enterprise zone proposal cosponsored by a pair of New York congressmen, Republican Jack Kemp and Democrat Robert Garcia, failed in committee in the House of Representatives in 1981. Another measure passed the Republican-controlled Senate in 1984, only to die in committee in the

Democratic-controlled House during a presidential election year. “One of the problems we have encountered in advancing the President’s enterprise zone initiative,” Reagan aide Elizabeth Dole complained in June 1982, “is the perception that the president is really not committed to the proposal.”[5]

Although enterprise zone legislation was floundering at the national level, it was flourishing in the states. In 1981, Connecticut became the first state to implement enterprise zones. Within a decade, thirty-eight states and Washington, D.C. would enact enterprise zone provisions. The legislative success of these state experiments encouraged federal officials to keep trying. [6]

Representative Kemp became Secretary Kemp in 1989, when newly elected Republican President George H.W. Bush chose him to head the Department of Housing and Urban Development. Kemp used his new platform to promote legislation creating seventy enterprise zones around the country. However, Bush’s Office of Management and Budget pared the number to fifty before the Democratic Congress reduced it even further in 1989 to what Kemp called purely “symbolic” legislation. The next year the administration’s Low-Income Opportunity Board coined the term “Opportunity Zone (OZ)” in calling for innovative methods of combating poverty, only to have the Domestic Council deride the acronym and discard the idea.[7]

At the end of April 1992, the trial of four Los Angeles police officers who had beaten an unarmed black man, Rodney King, resulted in no convictions. The verdicts unleashed five days of violence in the predominantly African American South Central neighborhood, claiming over $500 million of property damage and more than fifty lives. President Bush’s response to the Los Angeles riots included an appeal to the Democratic Congress to pass a bill that would eliminate capital gains taxes on income obtained from the sale of property in enterprise zones. “That idea… is on the table right this minute in the Congress,” the president pleaded, “and the Congress ought to pass it and pass it fast!” Congress *would* pass enterprise-zone legislation, but not the kind that the president envisioned. Congressional Democrats shrank Bush’s 200 urban enterprise zones to twenty-five, while adding incentives for businesses to hire workers as well as a few new taxes. The day after he lost reelection in part because he had broken his promise not to raise taxes, Bush vetoed the bill.[8]

The candidate who defeated Bush, Democrat Bill Clinton, believed in his own version of enterprise zones. Unlike Reagan and Bush, Clinton entered the presidency with a legislature controlled by his party. When Congress passed and Clinton signed the Omnibus Budget Reconciliation Act of 1993, it contained the first substantial federal enterprise zone program. The measure provided $2.5 billion in tax incentives over five years in the form of a block grant. Clinton’s approach differed from that of his Republican predecessors in four principal areas: 1) it substituted tax breaks connected to hiring targets for Bush’s capital gains tax cuts; 2) it added public social service grants to tax incentives for private businesses; 3) it required local community planning; and 4) it created a federal supervisory board, chaired by Vice President Al Gore, to oversee the selection and administration of the zones.[9]

In other words, this Democratic model of public-private partnership relied more heavily on the public sector than did the Republican templates. As if to highlight this difference, Clinton employed the term “empowerment zones” to describe the six urban (Atlanta, Baltimore, Chicago, Detroit, New York City, and Philadelphia) and three rural (Mid-Delta, Mississippi; Rio Grande Valley, Texas; and Kentucky Highlands) areas that would be receiving up to $100 million, while applying the moniker “enterprise communities” to ninety-five regions that would obtain less than $3 million. Two years later, the Republicans took over both houses of Congress for the first time in four decades. So to achieve the expansion of the number of empowerment zones to forty in 2000, Clinton had to agree to a return to capital gains tax reductions instead of social service grants for jobs programs and construction of low-income housing.[10]

Republican President George W. Bush not only inherited Clinton's "empowerment zones," but he expanded their scope to include rural and urban "communities in transition." He revived the label "opportunity zones," acronym and all. The most prominent beneficiary of such assistance was New Orleans, which received considerable help under the Gulf Coast Opportunity Zone Act of 2005, which Congress passed and the president signed in the aftermath of Hurricane Katrina.[11]

Following the Bush presidency, Democrat Barack Obama took his turn at reviving—and renaming—enterprise zones. In 2013, he announced that San Antonio, Los Angeles, Philadelphia, the Choctaw Nation of Oklahoma, and the Appalachian region of southeastern Kentucky would be the first of twenty-two "promise zones." Restoring the Clinton hybrid of social service grants and tax relief for companies to invest and employ, but without going through Congress, Obama likened his approach to philanthropist Geoffrey Canada's acclaimed Children's Zone, which had "flooded" Harlem with educational, medical, and social safety nets. At his announcement, Obama surrounded himself with children from the Harlem Children's Zone Promise Academy.[12]

The next president, Republican Donald Trump, would build on Obama's "promise zones," even as he adopted George W. Bush's terminology and devotion to capital gains tax cuts. Trump's program, estimated to cost $1.6 billion over ten years, also reflected his party's preference for local governance. Before the Democrats reclaimed the House of Representatives in the 2018 midterm elections, the Republican congressional majority ensured that the governors of each state and territory, as well as the mayor of the District of Columbia, could designate up to one-quarter of the low-income community census tracts in their jurisdictions as opportunity zones, with the approval of the Secretary of Treasury. By May 2018, five months after passage of the enabling legislation, Treasury Secretary Steven Mnuchin had certified over 8,700 low-income and contiguous areas as opportunity zones. “The key factors that have led to our uneven recovery are education, infrastructure, and workforce development,” South Carolina Republican Senator Tim Scott defended the opportunity zone provision that he cosponsored with New Jersey Democratic Senator Cory Booker. “Can I [as an investor] address those three issues and make a profit while also doing good?” Scott added, “The answer is yes.”[13]

The Research

Most of the scholarly research, however, says no. A federal General Accounting Office (GAO) study of Maryland enterprise zones from 1986 to 1988 found that while employment increased in the zones, the businesspersons whom the GAO interviewed reported that the zones were not an important factor in the growth in employment and the locations of their companies. Barry Rubin and Margaret Wilder, in the *Journal of the Planning Association* in 1989, offered a rare positive assessment of state enterprise zones, contending that they created a comparative advantage over other urban areas. A 1991 survey of thirty-eight jurisdictions with enterprise zones discovered that while the zones had spurred economic growth, their overall impact was “marginal but catalytic.” In 1992, the Joint Committee on Taxation in the 102nd Congress questioned the efficacy of state enterprise zones. In a 1993 article in the *Southern California Law Review,* Ellen P. Aprill concluded that “the evidence from the state experience with enterprise zones forces us to question tax breaks as the means to entice new businesses to locate in distressed areas." Aprill contended that if they were to continue, enterprise zones should include tax incentives not just to invest in businesses, but for businesses to hire workers.[14]

Which is what President Clinton did, with little change in the academic consensus. Leslie Papke's 1994 piece in the *Journal of Public Economics* uncovered a decline in unemployment in Indiana's enterprise zones, but it occurred alongside a fall in the value of depreciable personal property. In the *Journal of Urban Economics* in 1996, Marlon Boarnet and William Bogart presented their findings that New Jersey's enterprise zones had failed to stimulate investment. In 2000, Daniele Bondonio and John Engberg, in *Regional Science and Urban Economics,* and Robert Greenbaum and John Engberg, in the *Review of Policy Research,* found no substantial effect of enterprise zones on employment in the several states that they studied. A 2002 analysis of the manufacturing sector in state enterprise zones by Alan Peters and Peter Fisher for the Upjohn Institute for Employment Research concluded that, overall, these zones had been unsuccessful in promoting economic development, economic growth, and employment.[15]

Suzanne O'Keefe, in the *Journal of Urban Economics* in 2004, noted a rise in employment in California's enterprise zones, but Joel Elvery, in *Economic Development Quarterly* in 2005, found no effect on employment in California's and Florida's zones. A 2005 literature review by the Minnesota House of Representatives revealed that "studies and their results vary widely, delivering mixed conclusions" regarding enterprise zones. Nonetheless, "most social scientists uncover little benefit to enterprise zones." In a 2009 article in *Public Finance Review,* Stephen Billings found that while Colorado's enterprise zone fiscal incentives did increase employment, they had no effect on the location of businesses. A 2010 National Bureau of Economic Research Working Paper by Jed Kolko and David Neumark determined that

California's enterprise zones program "is ineffective in achieving its goals." The "overall view of the evidence," Neumark and Helen Simpson wrote in the *Federal Reserve Bank of San Francisco Economic Letter* in 2015, "is that state enterprise zones have generally not been effective at creating jobs."[16]

These were all evaluations of state enterprise zones. How have the federal endeavors fared? Not much better. The Community Renewal Tax Relief Act of 2000 required that the Government Accounting Office (formerly the General Accounting Office) assess the federal empowerment zones (EZs) and enterprise communities (ECs). "Although improvements in poverty, unemployment, and economic growth had occurred in the EZs and ECs," the GAO concluded in 2006, it "could not tie these changes definitively to the EZ designation." The report suggested that welfare reform and the healthy national economy may have made a larger imprint on these communities than enterprise zones. "In many cases economic conditions improved in communities" selected as enterprise zones and enterprise communities, the GAO reiterated in 2010, but "it has been difficult to isolate the impacts of these programs on conditions in distressed communities without the ability to attribute the tax benefits" to these federal efforts.[17]

Writing in the *Journal of Public Economics* in 2011, John Ham, Charles Swenson, Ayse Imrohuroglu, and Heonje Song nonetheless heartened enterprise zone advocates with their conclusion that state enterprise zones, federal empowerment zones, and federal enterprise communities "have positive, statistically significant impacts on local labor markets in terms of the unemployment rate." In the *American Economic Review* in 2013, Matias Busso, Jesse Gregory, and Patrick Kline similarly found that the federal "EZ designation substantially increased employment in zone neighborhoods and generated wage increases for local workers without corresponding increases in the population or the cost of living." Writing in *Real Capital Analytics Insights* in June 2019, Jim Costello observed, "The fact that government-related sales are growing in Designated Opportunity Zones [in 2018] as such activity is shrinking in Also Rans [low-income census tracts not selected] is evidence that the program is not just a buzz item."[18]

Nevertheless, these positive reviews appear to be outliers. David Neumark and Timothy Young, in *Institute of Labor Economics (IZA) Discussion Papers* in November 2017, questioned the Ham article's methodology and its inclusion of enterprise communities, which, unlike empowerment zones, received little federal money and offered no hiring credits. David Neumark and Helen Simpson accepted the Busso study, but speculated that it might say more about the impact of large block grants than enterprise zones. They countered with a 2009 evaluation by Andrew Hanson and a 2013 assessment by Matthew Freedman that showed no significant positive effects of federal empowerment zones on poverty. Justin Fox, writing in *Bloomberg* in June 2019, echoed the GAO's dilemma regarding the Bill Clinton/George W. Bush policies, noting that "disentangling cause and effect here is hard, as it has been throughout the history of enterprise/empowerment/opportunity zones." Costello himself allowed that "some of the decline for development-related sales starting in 2017 likely came from the revamp of bank-lending standards for construction loans," so the following year's recovery may have been more related to the availability of construction loans than the efficiency of enterprise zones. After all, Costello conceded, "We cannot control every variable here."[19]

"Enterprise zones do very little to revive urban areas," political scientist Timothy Weaver summarized the scholarship on state and federal enterprise zones in 2017. "At best, they direct investment from one part of the city [to] another. At worst, they result in taxgiveaways to firms that would have been operating anyway." Two years earlier, Jared Bernstein, former economic adviser to Barack Obama's vice president Joseph Biden, and Kevin Hassett, former policy consultant under Presidents George H.W. Bush and Bill Clinton, had reached a similar conclusion. "Unfortunately, research into the effects of these enterprise zone programs in the U.S. has found at best mixed results," they wrote. "Policy measures to incentivize private investment in disadvantaged areas have been largely unsuccessful."[20]

The Rationale

Yet like the administrations in which they served, Bernstein and Hassett, as well as many of their fellow Democrats and Republicans in Congress, have *supported* enterprise zones. Why? There are several reasons for the continued popularity of enterprise zones in the White House and on Capitol Hill. First, however dubious the cures, there is no denying the maladies—unemployment, crime, drugs, broken families, failing schools—plaguing the nation's impoverished urban and rural regions. "Most OZ communities have faced disinvestment and depopulation for so long," Bernstein wrote in support of the Trump plan in the *Washington Post* in 2019, "they have both the need and the capacity to absorb new investment." Governments and businesses agree about the problems, so why not collaborate on seeking the solutions? In other words, both the public and private sectors see the need to do *something*—even if it has not actually worked before.[21]

Not only do governments and businesses *see* a need, but they want to *be seen* attempting to address the need, thus constituting a second reason for the durability of enterprise zones. For Republicans, enterprise zones have been a way for them to try to shed the image of a racially insensitive party for rich white men. A 1981 Gallup poll found 75 percent of Hispanics and Asian Americans as well as 68 percent of African Americans in favor of enterprise zones. It is no accident that the chief Republican champion of opportunity zones in 2017, Tim Scott, was the Senate's lone black Republican, representing a state with a large African American population. Opportunity zones were among those achievements that the Trump campaign cited when it launched its re-election outreach to African American voters in November 2019.[22]

For Democrats, enterprise zones have been a means to maintain their inroads into the business community, no longer a reliably Republican enclave. For Bill Clinton, empowerment zones fit neatly into his centrist "New Democrat" philosophy, which relied less on the government and more on the market than did traditional New Deal/ Great Society liberalism. As the Democrats lurched leftward in the Trump era, opportunity zones served as a means for the party's remaining moderates—and even some of its liberals—to salvage some residue of the prosperous Clinton Era. Justin Fox described the Trump opportunity zones as "the Last Great Neoliberal Experiment Comes to a Neighborhood Near You."[23]

For businesses, enterprise zones have offered an opportunity for conservatives to display what some have called "common-good capitalism" and for liberals to embrace what others have dubbed "woke capitalism." Florida Republican Senator Marco Rubio advanced the former: "Our nation does not exist to serve the interests of the market; the market exists to serve our nation." Psychologist Clay Routledge somewhat less elegantly described the latter: "'Woke capitalism' is about companies pretending to care about social justice to sell products to people who pretend to hate capitalism."[24]

In 2019, over three-quarters of all venture capital went to white males in Massachusetts, New York, and California. What better way for those white males to exhibit social responsibility than to spread some of their investments to nonwhite, low-income communities? "One could imagine," Bernstein and Hassett wrote in 2015, "that it would become a social norm that, for example, companies and/or individuals would invest a small fraction of their savings or profits in funds that invest in distressed communities." If the investments turn out to be profitable, they "would feed a virtuous cycle."[25]

While enterprise zones have afforded businesses the chance to signal their virtue, these programs have provided an opening for both political parties to engage in less than virtuous behavior—a third explanation for their longevity. In selecting the original six empowerment zones in 1994, the New Democrat in the White House practiced the old politics of patronage, angering those mayors and legislators who submitted unsuccessful applications. Vice President Gore's board rewarded Harlem Democratic Congressman Charles Rangel for his sponsorship of the legislation with a Harlem-South Bronx zone; Democratic Senator Bill Bradley of New Jersey, who inserted a provision into the law permitting zones in "areas located in two states," with a Camden-West Philadelphia zone; and Democratic lawmakers with zones in Atlanta, Baltimore, Chicago, and Detroit. According to Boston activist Pat Cusick, "You could almost guess who the six would be." Cusick's city would have to settle for being one of the sixty-two "enterprise communities," which were themselves politically tainted. "The Enterprise Communities side of this thing was largely a political fix to satisfy a greater number of congressional districts," economist Bennett Harrison noted. "There wasn't enough money to go around, so they invented this half-pregnant thing."[26]

If Democrats have exploited enterprise zones to benefit their friends in government, Republicans have utilized them to enrich their friends in business. Real estate mogul Richard LeFrak, investor Anthony Scaramucci, mortgage-lending titan Dan Gilbert, sportswear executive Kevin Planck, coal magnate (and West Virginia Governor) James Justice, as well as members of the family of Jared Kushner, Trump's son-in-law and senior adviser, were among those investors who stood to profit from the federal opportunity zones. "Billions of untaxed investment profits are beginning to pour into high-end apartment buildings and hotels, storage facilities that employ only a handful of workers, and student housing in bustling college towns," the *New York Times'* Jesse Drucker and Eric Lipton reported the early returns on the Trump opportunity zones in August 2019. About 200 of the 8,800 zones were next to, not part of, low-income tracts. Aaron Seybert, a community activist in Troy, Michigan, lamented that so far, "perhaps 95 percent of this is doing no good for people we care about."[27]

"The extent of mishandling and misappropriation in these programs is rarely factored into explanations for why they had such a meager impact," said anthropologist Susan Greenbaum, who witnessed graft while serving on a community advisory committee for the Tampa empowerment zone during the George W. Bush administration. Tampa's housing director, the city's liaison to Greenbaum's committee, went to jail for redirecting public funds to his mistress. To remind their colleagues of the benign intentions of the Trump opportunity-zone legislation, Scott and seven other Republican senators introduced a bill in December 2019 requiring the Internal Revenue Service to obtain data from the recipients of opportunity-zone tax benefits demonstrating the positive economic impact of their investments on their zones. However, the divided Congress would not enact this reform in the 2020 presidential election year.[28]

Some Democratic legislators went even further. In November 2019, South Carolina's James Clyburn, North Carolina's Alma Adams, and Missouri's Lacy Clay unveiled a bill in the House, and Oregon's Ron Weyden proposed a measure in the Senate, removing projects such as stadiums, casinos, parking lots, and luxury apartments as potential beneficiaries of opportunity zones while restricting the program to brand-new ventures in low-income census tracts. Noting that Democratic governors were largely responsible for steering OZ funds to these projects, Senator Scott deplored the proposals' elimination of health centers in predominantly minority communities suffering from higher rates of obesity and shorter life expectancy than the general population. Democratic Representatives Rashida Tlaib of Michigan and Pramilla Jayapal of Washington cosponsored legislation in December 2019 that would repeal the 2017 opportunity-zone statute altogether. "Our communities deserve resources and programs with proven track records to thrive," Tlaib protested. "The current Opportunity Zone law fails to drive real benefits to low-income communities, instead of often rewarding President Trump's donors."[29]

These Democratic measures had little chance of passage, however. The collaborative nature of enterprise zones —between the public and private sectors and between Democrats and Republicans—has furnished a fourth impetus for their perpetuation. It has been hard for politicians and business leaders to resist the allure of working alongside their natural adversaries. Cooperation between the federal government and major corporations in serving the poor has a long history in the modern era, dating to the "poverty-industrial complex" born during the administration of Democratic President Lyndon Johnson (1963-1969). By 1970, over 250 businesses had received grants from the federal Office of Economic Opportunity under Johnson and his successor, Republican Richard Nixon. In a foreshadowing of the underwhelming performance of enterprise zones, many of these firms failed to fulfill the terms of their contracts.[30]

"I don't care whether ideas are Democratic or Republican," Obama said of promise zones. “I do care that they work.” Though this idea has not really worked, enterprise zones have not only attracted enough members of both parties to pass Congress and receive funding, but they have largely succeeded in minimizing interest group opposition to their continued existence. “Business groups…like revitalization because it glorifies small business and presents itself as a practical alternative to the big-Government approach,” Nicholas Lemann suggested in the *New York Times Magazine* in 1994. “At the other end of the spectrum, grass-roots inner-city community groups like revitalization because it puts them at center stage as saviors of their neighborhoods.”[31]

“If you are a company that is looking at having a West Coast presence, especially a distribution or an e-commerce center, there’s no better place than Fresno County right now,” Lee Ann Eager, president of the Fresno County (California) Economic Development Corporation, promoted the local opportunity zone in 2018 as good for business. “If we’re going to address the systemic issues that we have had in neighborhoods here for long periods of time, we need every resource we can get,” Preston Prince, executive director of the Fresno Housing Authority, welcomed the designation as a lifeline for low-income housing. “Policies in this area may well become vehicles for aligning the interests of a wide variety of political stakeholders,” Bernstein and Hassett said of enterprise zones, “garnering the kind of broad bipartisan support that has become a rarity in the current political climate.” There was no congressional debate before the vote on the Trump opportunity zones in 2017.[32]

It almost seems that researchers are the only ones who oppose enterprise zones. Yet even they at times appear unsure, providing a fifth catalyst for the survival of enterprise zones. Presidents and legislators have kept enterprise zones going by capitalizing on the ambiguity of studies such as the GAO reports in 2006 and 2010, and by omitting any evaluation requirement in the 2017 law. Even if the GAO had all the data that it requested but did not receive from federal agencies, it would have had a hard time assessing the zones. Private investment is more difficult for governments to track than public expenditures. “A caveat for any good news is: How much of it was because of the program?” economist Mark Partridge posited. “Did the program work or was this place just poised for takeoff?”[33]

Each president has therefore been able to advertise his version as new and improved. George H. W. Bush promised the commitment that Ronald Reagan lacked. Bill Clinton enacted the hiring credits that Bush vetoed. George W. Bush aided transitional communities. Barack Obama supported education and health care. Donald Trump greatly expanded the number of zones, then put them in the hands of state and local officials. Bernstein and Hassett believed that enterprise zones could succeed if only they targeted larger institutions rather than individual businesses, tapping the “power of intermediaries such as private equity firms, banks, venture capitalists, mutual funds, and hedge funds.”[34]

No matter the design of federal attempts at urban revitalization, Lemann noticed, they have often failed when individuals have succeeded. The ultimate goal of many inner-city residents, he concluded, was not to improve their surroundings, but to improve themselves—then leave. A quarter of a century and four presidents later, many urban dwellers were still trying to flee. Rather than seek to discourage such flight with tax advantages for businesses that relocate into distressed areas, *Bloomberg*’s Michael Strain argued, the federal government should encourage it with subsidies for individuals who move out of distressed areas. “Public policies are more effective,” Strain asserted, “when they invest in people, not places.”[35]

The odyssey of enterprise zones has thus become an elusive quest for what *The Atlantic*’s Annie Lowery called “Goldilocks” zones—communities that are neither so depressed that private investors would stay away no matter the incentive, nor so gentrified that they do not need the government's help. Perhaps the best examples of the challenges posed by this quest are the communities of Camden-West Philadelphia, Atlanta, and southeastern Kentucky, which went from empowerment zones under Clinton to promise zones under Obama. New Orleans, the site of opportunity zones under George W. Bush, became the home of opportunity zones under Donald Trump. Senator Booker helped design Obama's promise zones before cosponsoring Trump's opportunity zones.[36]

Federal zones have appeared where state zones already existed—and failed. A 1999 amendment to Louisiana's 1981 enterprise zone law eliminated the requirement that grant recipients locate their businesses within the zones. A 2012 audit by the Louisiana Department of Economic Development disclosed that from 2008 through 2010, 75 percent of the new jobs, 68 percent of the new businesses, and 60 percent of the capital investment generated by entities receiving state enterprise zone grants occurred outside of the zones. "If you ask me the question, 'Do I think this program helps encourage investment in low-income disadvantaged areas?'" Louisiana Economic Development Secretary Stephen Moret lamented, "I think it's certainly not effective at doing that." Yet Donald Trump decided to try again.[37]

This repetition fits a familiar pattern for federal antipoverty programs, one that marks the sixth basis for the continuation of enterprise zones. Once a government initiative is in place, historian Julian Zelizer remarked, "policy feedback" makes it all but impossible to remove it. "Voters come to depend on benefits, politicians are expected to protect them, and interest groups emerge that have a stake in their continuation." Or, as Timothy Weaver put it, in the federal government's antipoverty arsenal, enterprise zones were simply another "zombie idea that won't die."[38]

During the period from 1981 to 2017, from Ronald Reagan to Donald Trump, despite the existence of ninety-two often overlapping and redundant federal programs designed to fight poverty, the national poverty rate hovered between a high of 15.2 percent in 1983 and a low of 11.3 percent in 2000. At the time of the enactment of the Trump opportunity zones, the national poverty rate, despite a strong overall economy, was 12.3 percent. If all those other programs had not defeated poverty, surely one more couldn't do any worse.[39]

Especially if it was in the form of tax breaks, not new spending—a seventh and final reason for the long life of enterprise zones. "An enterprise zone program entails very modest initial expenditures; the costs are paid primarily in uncollected taxes on as yet unmade profits," Jan Rosenberg and Philip Kasinitz explained in *City Journal* during the Democratic Bill Clinton administration in 1993. "One reason for their staying power is that their costs are hidden," Alan Peters and Peter Fisher wrote of empowerment zones during the Republican George W. Bush administration in 2002. "Like all tax expenditures, they can be portrayed as a tax-cut program rather than an expenditure program, and this greatly enhances their political viability." According to a January 2009 survey, Americans by over two to one believed that reducing taxes would better create jobs than raising spending on government programs. Although a Republican firm, McLaughlin and Associates, administered the poll, it came at the outset of the Democratic Barack Obama administration, at a time when the same survey registered the new president's approval at 71 percent. Four years later, when a decidedly less popular President Obama unveiled the first five promise zones, he offered tax exemptions but no new funding.[40]

The participation in empowerment zones by community leaders "is both the cheapest and the most dramatic-sounding option," Lemann observed in 1994. "The hoop-jumping that

Washington will engage in to avoid the simple, straightforward process of appropriating money for this or that benefit and then sending checks to the beneficiaries is astounding," *National Review'*s Kevin Williamson wrote in 2019 of politicians' penchant for tinkering with the tax code in the name of battling poverty. "But giving people money requires that Congress do its job: passing budgets, appropriating funds, facing democratic accountability, etc."[41]

Congress—and the presidents—could do their jobs more easily if there was more money to spend and there were more taxpayers willing to spend it. During his 1992 presidential campaign, Bill Clinton cautioned that while he backed enterprise zones, they would be "of limited impact" unless accompanied by "the national initiatives I've called for on education, health care, and the economy"—all of which would encounter opposition in the Republican-controlled Congress beginning in 1995. "For political and fiscal reasons," Bernstein and Hassett noted as Barack Obama faced another Republican-controlled Congress beginning in 2015, "large-scale public-sector investment" in antipoverty programs "is unlikely to happen anytime soon." Tax incentives offered instead at least the illusion, in an era of mounting national debt and diminishing national will, of fighting poverty on the cheap. [42]

"This is the first time that these deserving communities have seen anything like this," President Trump boasted in his February 2020 State of the Union address, in which he saluted African American veteran Tony Rankins, who went from addiction and homelessness to recovery and employment in a Cincinnati opportunity zone. "It is all working!"[43]

Three months later, however, in the wake of the death of an unarmed black man, George Floyd, at the hands of a white Minneapolis police officer, Derek Chauvin, peaceful demonstrations begat burning and looting across the nation's urban centers, from New York to Seattle, from Washington to Los Angeles. In some cities, where the Covid-19 virus was already ravaging minority communities and government-imposed lockdowns were devastating local economies, opportunity zones now resembled war zones. On May 31, with police largely preoccupied with the protests, Chicago recorded eighteen homicides on the city's deadliest day in over half a century. "Social unrest issues with no permanent solution—thirty years later we're still talking about the same problem—make entrepreneurs and businesses worried about investing," economist Victor Matheson tethered the Los Angeles riots of 1992 to the nationwide tumult of 2020. "Why would I build in underserved and minority neighborhoods when this could happen again?"[44]

Trump had hoped that this time, opportunity zones really would be different, lucrative enough to lure investors and large enough to lift the impoverished. As Democratic President Joseph Biden inherits his predecessor's opportunity zones, Trump may still be right. But if he is not, he cannot say that nobody warned him.

ENDNOTES

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