

incentive package in North America and even this package was not enough to attract the plants necessary to absorb labour force entrants in the 1970's. Other conditions left the island too rich relative to its lower wage neighbours and too poor relative to locational competition in the U.S. proper.

One of the difficulties faced in discussing incentives or subsidies to industry in the Canadian/American context is that both sides see them in different ways. Often both are talking about different things.

Until the states began to be active in industrial policy after 1981, most incentives for business location and development in the United States were tax-based. The incentives consisted of various measures to reward businesses or investors through the tax system. The best example, and probably the most-used incentive, consisted of tax-free industrial development bonds (IDB). IDB's were first developed by the State of Mississippi in 1934 and became very common until their use was curbed by the tax reform of 1986. There appears to be pressure to reinstate them already. IDB's were issued generally by municipalities and their proceeds were free of taxation from all levels. Because of their status, an IDB could be issued at an interest rate considerably lower than that of regular bonds. Instead of applying the money raised by IDB's to municipal purposes, it was re-lent at cost to designated private industrial facilities, thus lowering the cost of capital for them. Generally, Republican ideology has held that a tax not collected is not a subsidy, since their theory of government finance was that governments take what