



Economic Detective

The Future of Centerville

Problem

Centerville is a Midwestern town of about 25,000 people, about 50 miles from a large metropolitan area. Its government consists of a mayor and a town council. In recent years, Centerville has come upon hard times. Its population is dwindling, with many of its young people moving to the city where the job market is good. When a large shopping mall is built about five miles outside of town, local shops and businesses in downtown Centerville cannot compete and start to close.



Investigation 1

As businesses close and people move away, property values of commercial buildings and of homes have declined. Many of the buildings in Centerville are being abandoned.

1. How will this situation affect the tax base of Centerville? _____

2. What effects is the situation likely to have on the operating budget of Centerville? _____



Investigation 2

The Centerville mayor calls a special meeting of the town council to come up with ways to raise more revenue.

1. What are some options the town council might explore for increasing revenue? _____

2. Which options might they reject for fear of driving more people out of town or forcing more businesses to close? _____



Investigation 3

The mayor and town council decide that the long-term answer to Centerville's problems is to attract new businesses to the town. To jump-start the process, the town council uses some capital funds remaining from a renovation of police headquarters to buy an abandoned warehouse from a business that has moved to the city. By selling municipal bonds, the council hopes to fund a renovation of the warehouse into a town center and indoor mall with space for town offices and leasing space for several small businesses.

1. (a) If revenue is already a problem, how can the town spend money to buy a warehouse?

(b) How would the proposed indoor mall help attract small businesses? _____

2. How would new businesses help Centerville's revenue problem? _____

3. What are some tax incentives the mayor and town council could use to attract new businesses to Centerville? _____