

The Fundamentals of Regional Economic Development

Edward W. (Ned) Hill
Vice President for Economic Development
Cleveland State University

1. Don't be a victim

- Practice the habits of growth, rather than manage decline
- Be realistic without being pessimistic
- Change policies and attitudes that can be changed

2. Economic development is about products; Not jobs

- Employment is derived from product demand
- End users do not purchase technologies, they purchase products and services
- A regional economy is a portfolio of products and the technologies they embody

2. Economic development is about products; Not jobs

- The Product Cycle is real and affects strategy and implementation
- Competitive advantage changes over time as the region's product portfolio ages

3. Productivity growth is the basis of sustained higher incomes

- The measure of economic development success is change in per capita income.
- Increases in earnings come from increases in productivity
- Understand what productivity means:
Value added per hour worked

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4. Economic development is practiced through the income statement of the business

- Do you represent the world's best place to operate the business?
 - Gross revenue—the top line
 - Expense items—the middle lines
 - Labor and talent
- If not, then the business is there either through historical accident and inertia, or because of the CEO's personal housing investment

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5. Economic development is generative; Not redistributive

- Asset-based; not need-based
- Encourages community development, but is not community development
- Short term economic development policy works on the demand side of regional asset markets—uses your land, people, and talents
- Long term economic development policy works best on the supply side of regional asset markets—changes the quality and cost of land, people and talent

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6. Build economies from areas of strength, while intentionally addressing areas of weakness

- Do not forget the habits of growth
- The politics of managing decline results in redistribution, not regeneration
- There must be some bricks and mortar transactions. You need visible successes

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7. The economy is regional; the world is competitive

- Respond to the mismatched federalisms
- The geographic extent of the economy is defined by the labor market, not by political jurisdictions
 - the area within which people work and live
 - which changes with transportation investments and new technologies
- How are regional investments made when there is no regional government?

Barnes and Ledebur: *The New Regional Economics* (Sage, 1998).

7. The economy is regional; the world is competitive

- All regions have effective competitors
- All municipalities have effective competitors
 - Both within and outside of the region
 - Includes the traditional central city
- Markets will beat politics into submission over time; regions will either work effectively or the economy (investment) will vote with its feet

8. Convert political time into economic development time

Mismatched time frames

- Business time — the length of the deal cycle
- Economic time — the length of the business cycle
- Political time — the length of the election cycle
- Economic development time — the length of the product development and innovation cycle (time required to change the product mix)

Take away: Converting political time into economic development time is critical for success

9. Avoid fads and silver bullet thinking; Celebrate differences and differentiators

- It is important to be distinctive, not imitative
 - Avoid the public sector version of not-invented-here syndrome
 - If you follow fads thoughtlessly the buzz words will be there, but content will be missing

Three questions about the long-term agenda

1. Can you describe the region's long-term civic economic development strategy and the resulting investment agenda?
2. Can you identify the catalysts?
 - Are they check writers or check takers?
 - What is their institutional legitimacy and capacity?
 - What is their expected tenure?
 - How inclusive are they? (without diluting their power)
3. Does it change political time into economic development time?

No one would remember the Good Samaritan if he only had good intentions. He had money as well. Margaret Thatcher, Prime Minister, United Kingdom, 1980

Three questions about your long-term development strategy

1. Does the economic development strategy confront the basics of economic performance? Or is it a fad-driven exercise supported by either a copy machine or the canned solutions of an economic development policy peddler?
2. Are there any barriers to effective *action* in addressing the region's economic development success?
3. Is the decision making: Politically based or investment based? Focused on greatest need or greatest strengths? Responsive to opportunity or rigid?

Every time you do a favor for a constituent you make nine enemies and one ingrate. John Michael Curley

Summary: Do the hard stuff; Fix the basics; Change the value proposition

1. Successful economies are constructed from strength and achievement
2. Innovation and product development are the keys to long term prosperity
3. Education is at the foundation of economic success
4. Invest do not spend
5. Respond to opportunity within a strategic framework

One person's pork barrel project is another person's wise investment in the local infrastructure.
Thomas Foley, Speaker of the US House of Representatives, 1989

Economic development is art and science