

# The Fundamentals of Regional Economic Development

---

Edward W. (Ned) Hill

Vice President for Economic Development

Cleveland State University

# 1. Don't be a victim

- Be realistic without being pessimistic
- Change policies and attitudes that can be changed
- Respond to opportunity within a strategic framework



## 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*

## 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

## 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

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

- Practice the habits of growth
- The politics of managing decline results in redistribution, not regeneration
- There is no soft landing in the American economy
- There must be some bricks and mortar transactions. You need visible successes



## 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

## 7. The economy is regional; the world is competitive

Municipalities should ensure that their rules and regulations of business pass a four-part test

- Necessity
- Efficiency
- Predictability
- Transparency



## 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



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

- Successful economies are constructed from strength and achievement; not conjured from the seven deadly sins of economic development:

*Entitlement, Envy, Embarrassment, Pride, Sclerosis, Sloth, and Stupidity*

- Skepticism is good. Do not assume or assert competitive strengths
- Avoid the public sector version of not-invented-here syndrome
- Think of technology and product development as a portfolio
- Importance of being distinctive, not imitative
- Avoid rubeaphobia

# 9. Do not assume or assert competitive strengths

Everyone wants high-tech operations



Fight the allure of economic development fads; Do not lose sight of true competitive advantage and the power of distinctiveness; Skepticism is good.

# 10. Economic development investment requires a long term strategy

- Built on a widely shared transformative vision
- Responds to near term political-economic crisis (the catalyst)
- Flexible so that respond to opportunity
- Answers the question: Who maintains the long-term civic economic development investment agenda?

**Take away: Short term politics is often the enemy of long term development strategy**

# Taming the economic development zoo: Six Parts of Formal Economic Development Practice

## Protecting Endangered Species

### Protectionism

Political crisis to save existing jobs

(Lemon socialism)

## The Great Buffalo Hunt

### Attraction

Deepen the base of export products

(Exogenous Growth)

## Trapping Foxes

### Expansion

Lower operating costs

Invest in resource base (Squeezing the middle lines of income statement)

## Searching for Gazelles

### Mistaken Tech Strategies

Search for fast-growth firms

## Breeding Rabbits

### Entrepreneurship

Product Development Process Innovation (Endogenous Growth)

## Feeding Ostriches

### Avoidance

Bury your head in the sand while expecting change to take place

**Take away:** Six short run, demand-side, practices that dominate practice. The supply side is not formally a part of the practice of economic development—but that is where the long term benefits reside.



# The contradiction of good economic development practice



**Take away:** Have a widely shared vision coupled with transparent practices while maintaining client confidentiality

# 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

**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

# 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

# Economic development is art and science

