

Talent-Laden Population Dynamics in the U.S. Implications to Economic Development Strategies in the “New Economy”



Yohannes G. Hailu, Ph.D., Visiting Assistant Professor
Associate Director, Land Policy Research Program
Land Policy Institute, Michigan State University



Economic Development in the “Old Economy”



- Historically, the U.S. featured sustained prosperity:
 - Per capita income grew by more than 400% between the mid-1940s and mid-2000s (nearly 4% per year) – Bauer, et al. (2006).
 - Communities were vibrant, cities were growing in population and size at unprecedented rates.
- The U.S. economy was anchored in manufacturing and production, where technological innovation and productivity growth made the economy globally competitive.
 - Wage rates rose, along with wealth.
- People migrated from rural and urban areas to places of production in droves, expanding the tax base in those locations.
- For the most part, community development was so rampant that numerous policies were implemented to manage growth, and its impact on the landscape.
 - **In short, economic development came almost automatically.**

The “Old Economy” is a term that was coined to describe the prevailing economy of the U.S. in the 19th and 20th centuries.

Economic Development in the “Old Economy”



In the “Old Economy”:

- communities were built around places with access to natural resources.
- early birthplaces for manufacturing were cradles of prosperity.
- places were defined by what they produced.
- city-regions anchored prosperity and growth was assured.
- skilled production workers constituted a growing middle class.

Fiscal Policy:

- (1) fiscal incentives, such as lower interest rates, grants and loan guarantees;
- (2) tax reductions, including tax credits, abatements, deductions and preferential rates;
- (3) direct grants, including land, labor and infrastructure (see Fisher, 1997).

Infrastructure and Markets:

- (1) product market proximity; (2) labor quality; and (3) quality infrastructure (Aschauer, 1989; Evans and Karras, 1994; Wylie, 1996).

Development of Financial Markets: (Abrams et al., 1999; Rousseau & Wachtel, 1998).

Attraction of Manufacturing Enterprises and Skilled Workers:

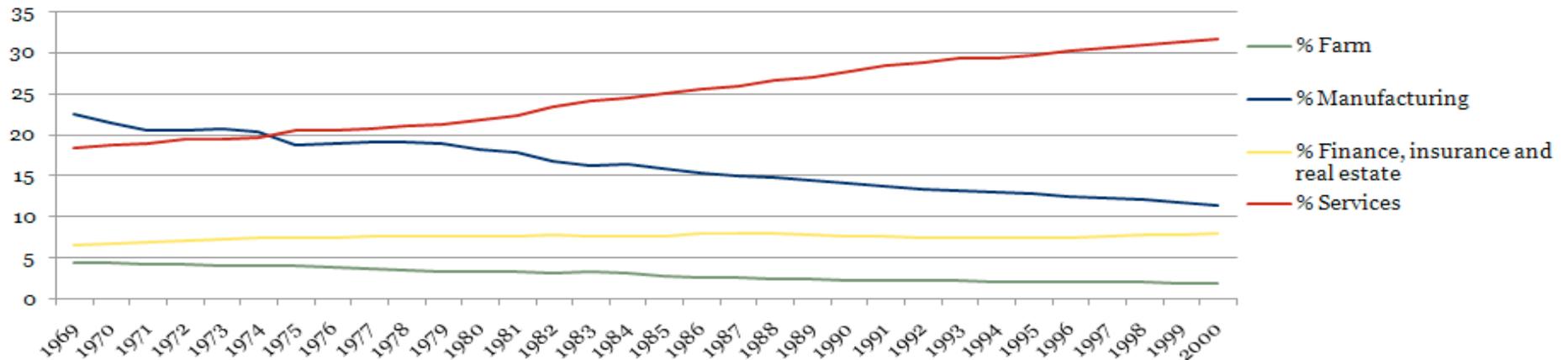
Incentives to manufacturing firms, higher wages for skilled workers (Higgins et al., 2006).

Economic Development in the “Old Economy”

- Since mostly the 1960s, however, a different momentum emerged - leading to reallocation of prosperity.
- The share of employment in the manufacturing sector started to decline significantly:
 - From around 41% in the 1950s to 9.1% in 2009.
 - Employment, income and where people prefer to live has shifted, along with the distribution of new prosperity.

Game Changers:

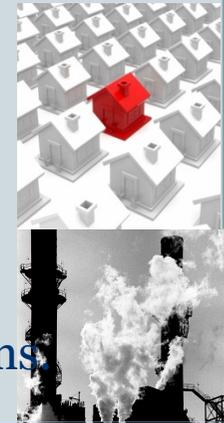
- Separation between “communities of production” and “communities of place.”
- Information/ Communications Technology (ICT).
- Maturing knowledge-economy.
- Intensified globalization.
- These factors led to the emergence of the “New Economy.”
- Economic Development in the “New Economy” is a different ball game!



Challenges of Economic Development Today



Transition from the “Old” to the “New” economy posed socio-economic challenges in manufacturing and goods producing states:

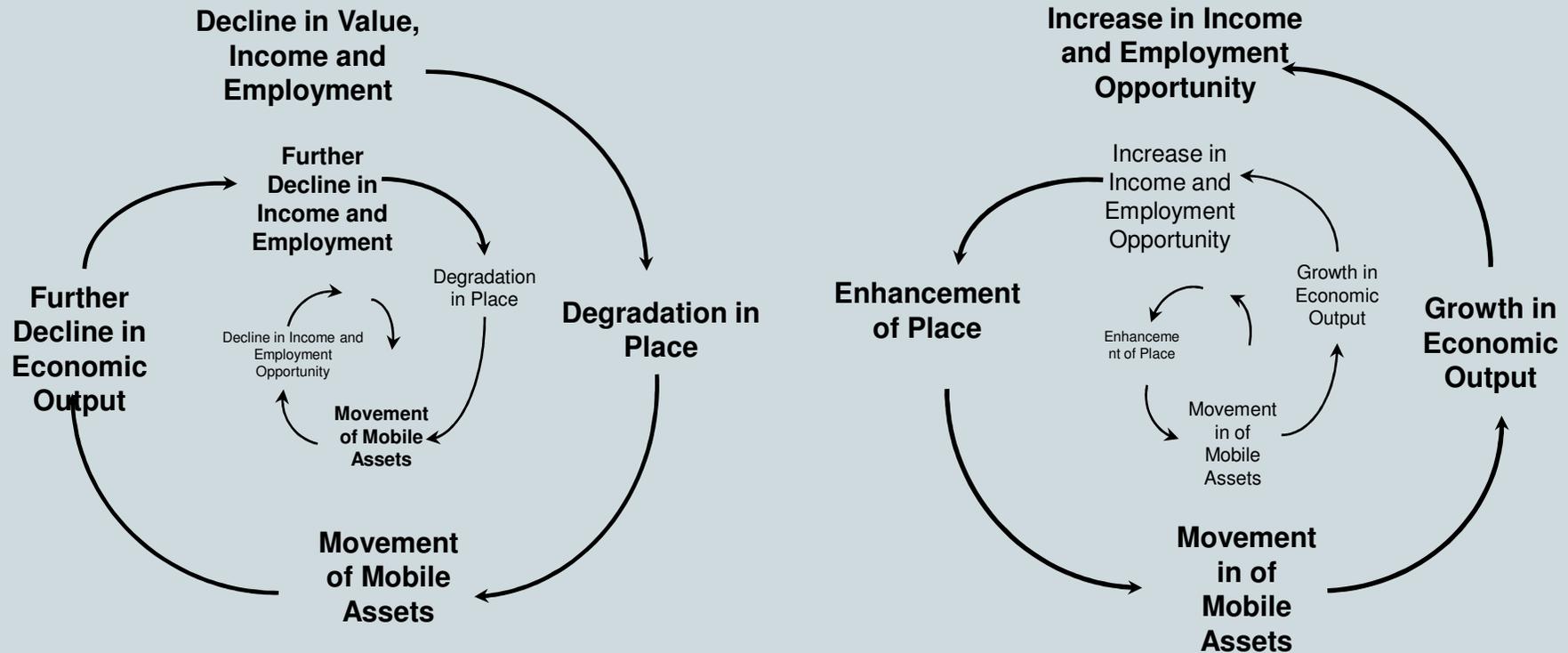


Manufacturing job losses, high unemployment, state and local government fiscal crisis, foreclosure, falling family income, rising poverty, high population loss, brain-drain, and other social problems

- Manufacturing and production focus and Old Economy mindset.
- Entitlement mentality and little tolerance for change.
- Economic developers trained in Old Economy strategies.
- Displacement of skilled workers in a knowledge-economy.
- Indifference to entrepreneurs and innovation.
- “Agency problem” in state institutions.
- Inflexible tax structure (no new taxes).
- Nearly absent state agenda--or regional agenda.
- Place competition, not cooperation.
- Go it alone attitude and “Suffering in Silence”.
- Disconnect from national trends.
- Global isolation.

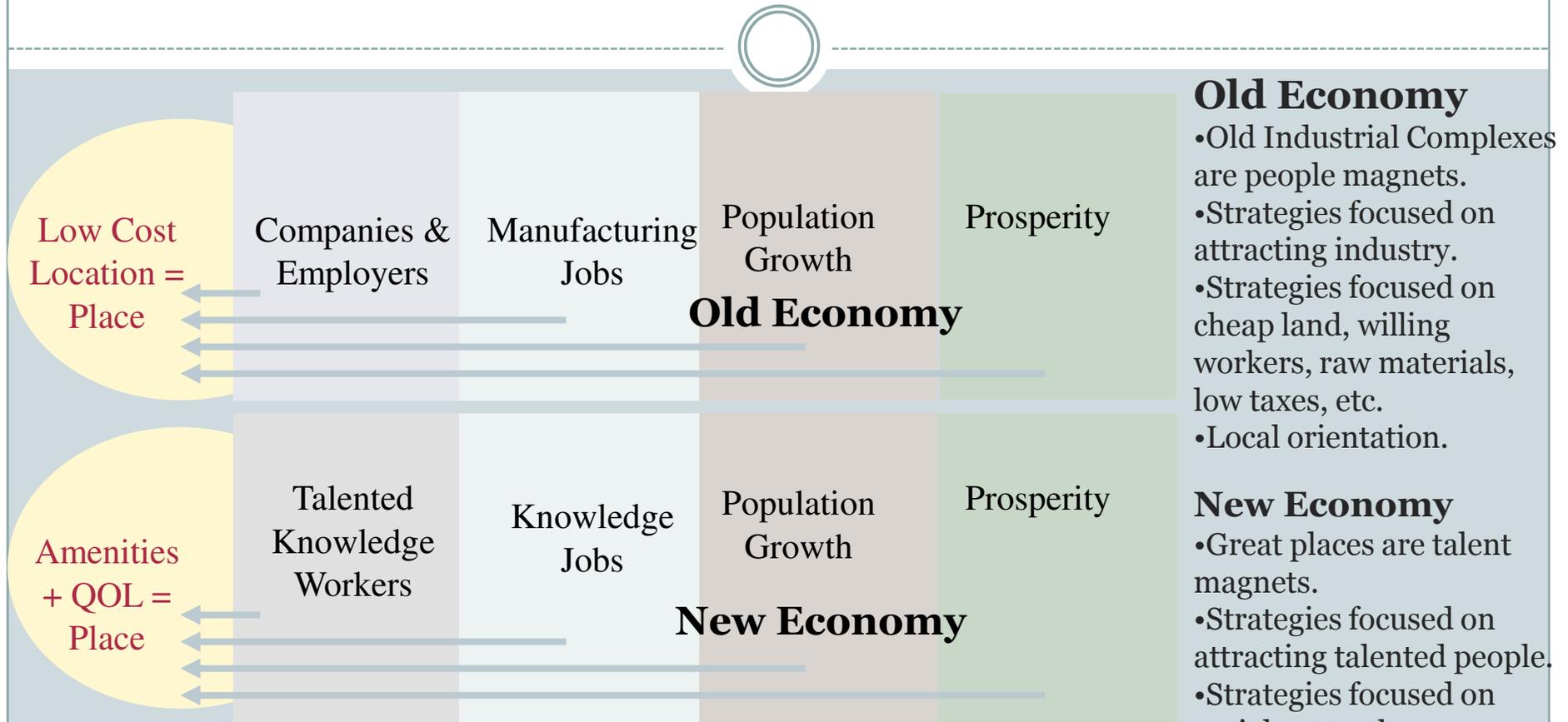
**ENTRENCHED
CHALLENGES**

Spirals of Community Prosperity or Decline



Places left behind can easily spiral down, since mobile assets can in-fact move to other places.

The Rules of Economic Development have Changed



Old Economy

- Old Industrial Complexes are people magnets.
- Strategies focused on attracting industry.
- Strategies focused on cheap land, willing workers, raw materials, low taxes, etc.
- Local orientation.

New Economy

- Great places are talent magnets.
- Strategies focused on attracting talented people.
- Strategies focused on social, natural, entrepreneurial, creative and intellectual capital.
- Global orientation.

The New Economy Model -- the New Economy refers to a global, entrepreneurial, and knowledge-based economy where business success comes increasingly from the ability to incorporate knowledge, technology, creativity and innovation into products and services.

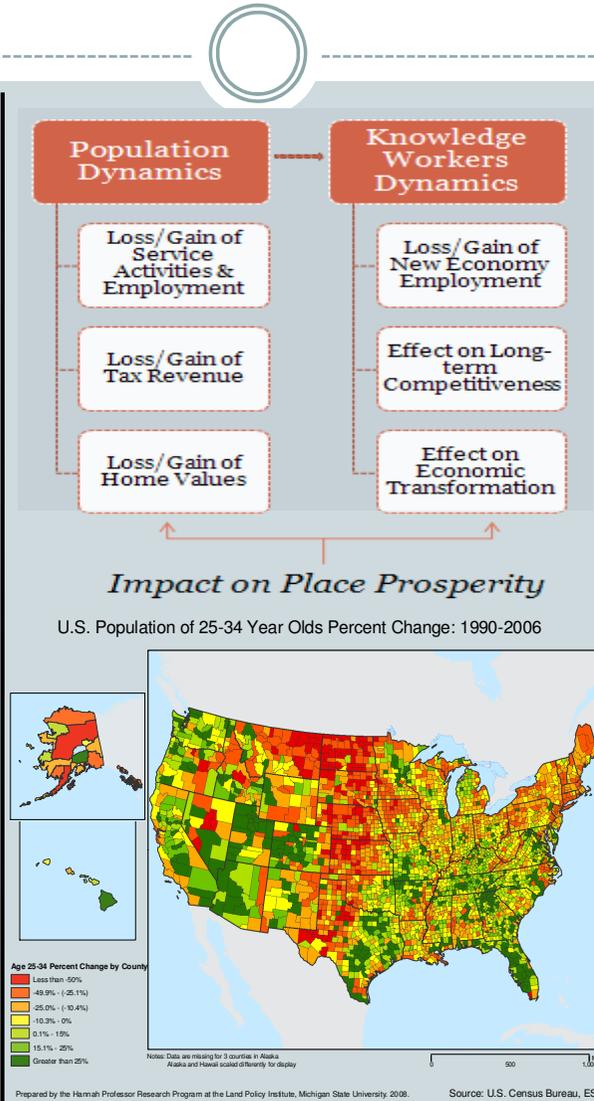


The Spatial Distribution of Opportunities



Implications of the New Economy

- Population and talent no longer tied to places.
 - Talent became more mobile.
- Competition for growth.
 - Tough competition for a share of growth.
- Past strategies less effective.
 - New strategies needed.
- New drivers of the economy are emerging.
 - There is limited understanding of these new forces.
- Population counts, and concentration of knowledge workers count more.
- People move to quality places, especially mobile knowledge workers.



The Michigan Example:

- 58 out of 83 (70%) Michigan Counties lost population from 2006-2007.
- 36 out of 83 (43%) Michigan Counties lost population from 2000-2007.
- Economic output loss due to population loss from Wayne County (2000-2007) = \$1.5 Bil.
- Home value loss in MI counties that lost population (2000-2007) = \$5.3 Bil.
- Tax revenue losses for counties that lost population in MI (2000-2007) = \$232 mil.

(Adelaja, Hailu and Abdulla, 2009)

Mobile Assets are attracted to quality places. Simply put, they have become highly mobile, and define economic development in the “new economy.”

Knowledge Workers and Creativity Count

Evidence from our research suggests:

- Creative Class Employment: 1% more creative class employment means:
 - ✦ 287 more jobs in metro counties, but 0 in rural counties.
 - ✦ \$23 more in per capita income for rural counties, but \$0 for urban counties.
- Average patents (1990-1993): 1 more patent means:
 - ✦ 392 more jobs
 - ✦ \$1.34 more in per capita income.
- Places with concentration of college educated are associated with population, income and employment growth.
 - ✦ 1% more college graduates associated with 554 additional people, \$25 more per capita income, and 190 more jobs.
- Colleges and universities matter for population and job attraction.
 - ✦ In metro counties, a college or university town is associated with 2,208 more people and 1,336 more jobs.

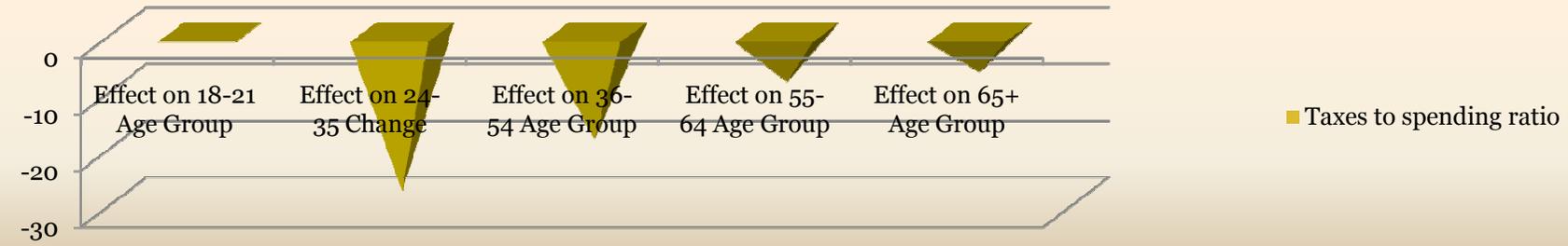
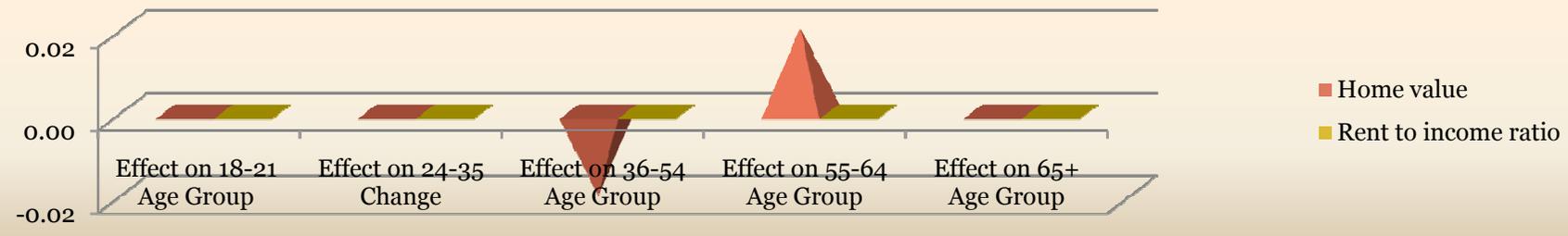
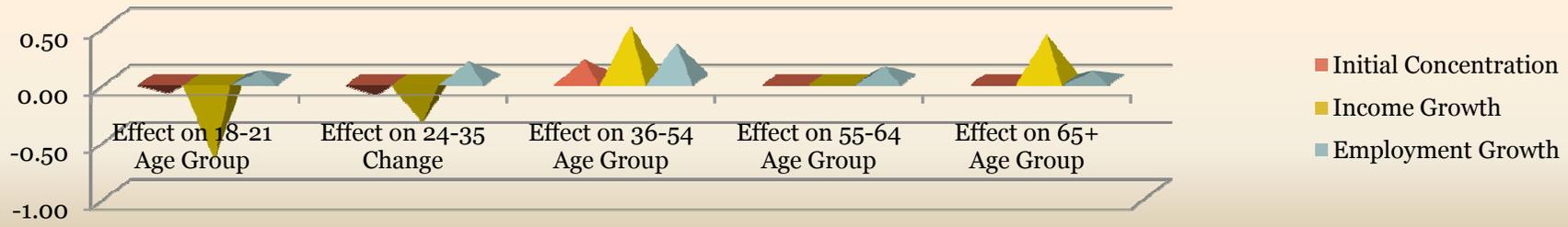
Where do population groups and talent prefer to live? Implications to economic development?

To answer this question often raised by practitioners, we conducted a national study of all counties, between 1990-2000.

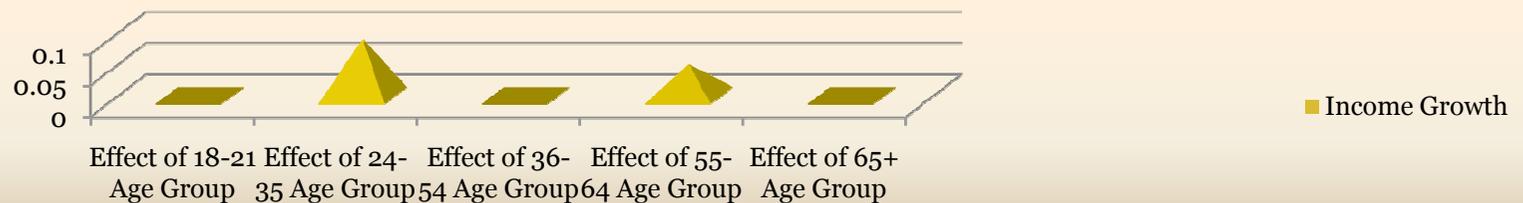
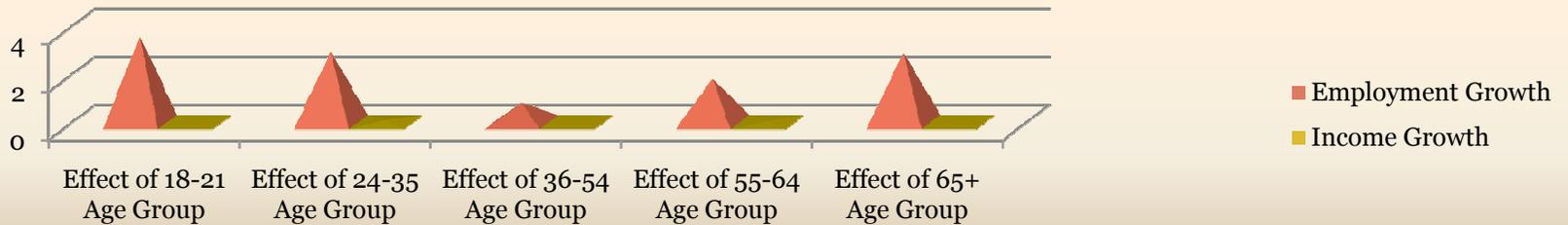
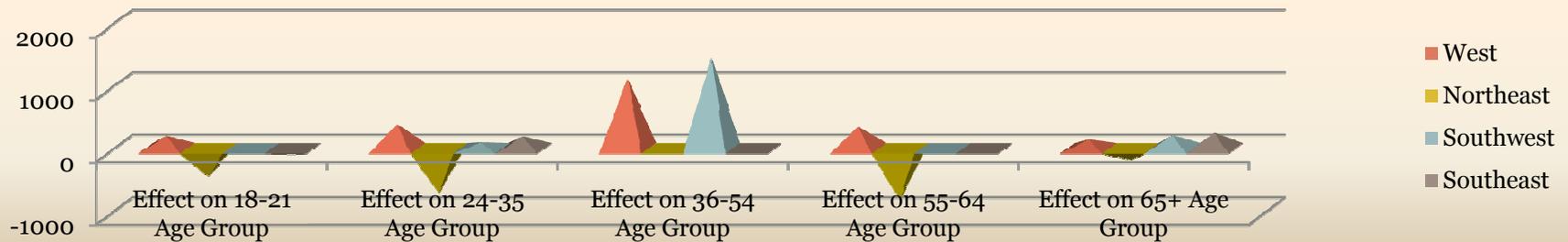
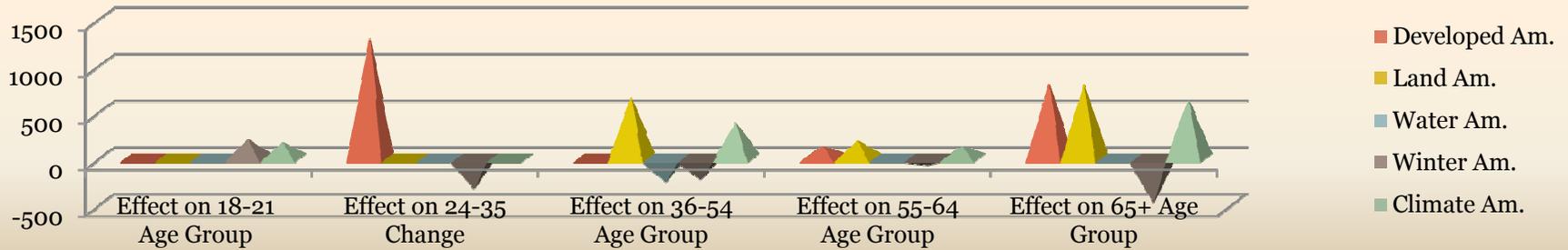
The study gets into the following questions:

- What determines where different population groups locate?
- What are the implications to economic development?
- How could talent and population retention-centered programs benefit from this knowledge?
- What are the policy options to places seeking progressive economic development strategies?
- Are there practical evidences that these strategies worked?

Drivers of Population Shifts Across Places and Economic Impacts



Drivers of Population Shifts Across Places and Economic Impacts



Overall Talent and Population Attraction and Retention Strategies

1 - Targeted population and talent attraction strategy is important.

- Age groups respond differently to the asset configuration of communities, thus the need for focused strategies.

2 - Communities will need to determine what relevant assets they have to anchor population and talent.

- Community asset assessment is crucial.

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1 Select a Michigan County
Select a county...

2 Select your Michigan Community
Select a community...

Welcome to the T.I.D.E. community exploration tool. This tool was designed to help you explore communities' assets and their impact on prosperity.

To begin using the Tool please select the a community either by selecting them from the lists above (county first then community) or by selecting them from the map above. Below you will see the T.I.D.E. summary. Please click on the tables below to begin exploring the different components of T.I.D.E. and to access data tables and statewide maps.

Click on the download PDF link to get a full report on the selected community ready for print.

SELECT A COUNTY AND COMMUNITY ABOVE This can explain a bit of what is included in the PDF link to the right. [Download PDF](#)

TIDE Summary	Talent	Innovation	Diversity	Environment
Description		Move the slider to see the impacts of changing your communities values		Estimated Employment Impacts
% Population age 25+ with a Bachelors Degree in 1990	5.63	[Slider]		
% Population age 25 - 34 in 1990	5.63	[Slider]		
Percent Creative Core Employment 1990	5.63	[Slider]		

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MICHIGAN'S CRITICAL ASSETS

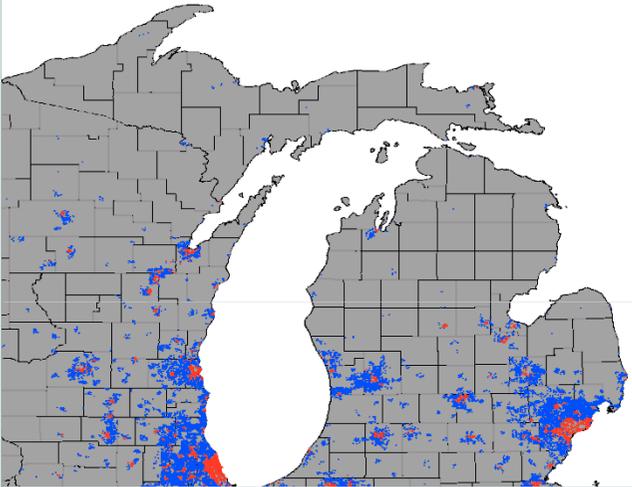
An Atlas for Regional Partnerships and Placemaking for Prosperity in the Global New Economy

March 23, 2013

Overall Talent and Population Attraction and Retention Strategies

3 - Population and talent attraction efforts are better targeted at the regional level.

4 - “Placemaking” is an essential part of the strategy – placemake.



Younger college grads
Blue = With children
Red = Without children



Overall Talent and Population Attraction and Retention Strategies

5 - Utilize unique regional features – brand your region.

- Such as low cost housing, quality universities and colleges, entrepreneurship development centers, venture capital, etc.



Finally, Keep the Big Picture in Mind!



Other useful strategies for economic development in the “New Economy”:

- Continue workforce development and participation in lifelong education.
- Diversify your regional economy.
- Expand your markets.
- Embrace the Green Economy & its focus on alternative energy.
- Promote and support entrepreneurship.
- Focus on effective placemaking and place-based strategies.
- Rightsize and maintain critical infrastructure.
- Create regional asset-based economic development strategies.
- Work cooperatively to target resources to implement regional strategies.
- Reform financing of public services and investments in our future.
- Use Strategic Growth Plans to attract federal and other resources.



Questions or Comments?



Yohannes G. Hailu, Ph.D., Visiting Assistant Professor
Associate Director, Land Policy Research Program
Land Policy Institute, Michigan State University

hailu@msu.edu

517.432.8800 ext. 112