



So, What is Economic Development?

The challenge has always been explaining economic development in terms that laypeople will understand. It happens not infrequently that someone will politely ask what I do for a living.

Sometimes, I will say “business consultant” and leave it at that, because if I said I was an economic development consultant, I would invariably get the quizzical dog look. If they truly want to know, and most do not, I’ll say that I help communities develop practical strategies to grow their local economies.

To which, they might say, “Well, that sounds like an almost impossible task.” My response, “You’re right, it’s hard, very hard, but it becomes a mission for many of us that try.”

The truth is that I'm constantly thinking about what economic development is and what it all entails. After all these years, I'm still not satisfied that I have an appropriate, down-pat answer, and maybe that is for the best.

I do believe that economic development boils down to giving people more and better opportunities to improve their financial station in life. You can't make that horse drink, but you can provide the water trough.

There is no magic button to economic development to provide more and better financial opportunities to people. On a broad scale, anything a community does to foster and create a healthy economy can be called economic development, but there are three operational strategies that have been proven to work. I will briefly cover them here in this special edition of this newsletter.

They are business retention and expansion (BR&E), entrepreneurial development, and business attraction. Within each of the areas, there are subsets of work. I go into greater detail when giving full-day and half-day seminars to community stakeholders, a service that I call *EconDev 101*.

The most effective economic development organization (EDO) will devote resources to all three, but that requires staffing and budget, easier said than done. When an organization is a one or two-person shop, that makes it even more difficult.

Economic development starts with and ends with people. The human resources of a community are critical to all three operational strategies as we will show. Certainly, improving upon the physical nature of a community is important -- real estate and infrastructure -- but sustaining a pipeline of talent ultimately trumps all. That is what companies are looking for today, their no. 1 factor in deciding where to invest capital.

In his book, "The Landmarks of Tomorrow" (1959), Peter Drucker first coined the term "knowledge worker." Drucker defined knowledge workers as high-level workers who apply theoretical and analytical knowledge, acquired through formal training, to develop products and services.

Drucker said knowledge workers would be the most valuable assets of a 21st-century organization because of their high level of productivity and creativity. Drucker's predictions

in 1959 hold true today if a local economy is to grow. Knowledge workers are the most valuable assets that communities can develop if they are to prosper in a new digital. More on that below.



BR&E: Dance With The One That Brought You

Business retention of expansion is an economic development strategy that is loosely based on a proverb that holds that an economic development organization should be considerate and loyal to those who have been supportive, attentive, or helpful to your community

Here the emphasis is placed on assisting incumbent employers with their problems so that they might remain and grow in the community. It is by far the most productive operational strategy of economic development because in most communities about three-quarters of all newly-created jobs are created by existing businesses.

But all too often, BR&E is done in a very haphazard, piecemeal fashion, almost as an

afterthought. If it is systematically done at all, it is often assigned to the youngest person or persons on an EDO's staff, which is not a good idea.

An inexperienced 22-year-old meeting with a 60-year-old business owner or senior executive generally does not build the trust and rapport needed for establishing relationships in which sensitive information is often divulged.

And like any effective relationship, BR&E has to be based on developing trust. Too often a senior exec or business owner may be thinking, "Why should I reveal my problems, which I consider to be of a confidential nature, to this other organization?"

I am a former newspaper reporter and I can tell you that developing sources is a process that takes time and effort. Sources have to come to know that they will not be burned by providing you with often sensitive information. More often than not, they will do so only when trust is earned.

It should be noted that BR&E is not a just one-and-done exercise, but a continuous dance to help existing employers, who have already proved that they have a financial stake in the community. These dance partners deserve loyalty and respect as they have already risked capital by being where they are. Helping them increase their stakes in a community by assisting them solve their problems should be the focus.



Entrepreneurial Development: It's No So Wild a Dream

We are living in an extraordinary time as the Covid-19 pandemic fostered creative destruction and accelerated everything, including the shift to work-from-home, remote, distributed, and direct-to-consumer business models.

Millions of people decided it was time to chase their dreams. Applications to start new businesses hit 5.4 million in 2021, a new record, surpassing the 2020 record of 4.4 million.

About one-third of the applications filed in 2021 is for businesses deemed likely to hire employees, according to the Census Bureau. And while the pandemic decimated an unprecedented number of small businesses, it also enabled the launch of an unprecedented number of new ones.

Unlike after the Great Recession, Washington flooded families with roughly \$4 trillion in stimulus monies when the pandemic became a reality. Through it all, people kept spending – the primary reason why we are still seeing supply chain snarls.

Not surprisingly, many entrepreneurs saw opportunities. And many who lost their jobs in

the pandemic and decided to become self-employed. Others walked away from stable careers, convinced there was no better time to chase their dreams.

Millennials, in particular, have decided to forge ahead as entrepreneurs rather than remaining as employees, which Fed Chair Jerome Powell noted in a meeting with young people last fall.

“This is an extraordinary time, and I believe that it will result in an extraordinary generation. You will see the world differently than your predecessors. You have been forced, sooner than most people, to consider what in life is truly important.”

Local policymakers can jump-start entrepreneurial growth by funding entrepreneurial support and financing organizations within the community separate from banks. That may be in the form of the creation of an incubator/accelerator, often done in concert with a local community college, as well as establishing a small business loan function with the EDO itself.

Ensuring access to broadband is critical for entrepreneurs as no business today can operate today without fast internet. Communities should also invest in digital literacy by requiring that all K-12 students learn computer skills in order to find, evaluate, interpret, research, analyze, and produce information critically, as well as to clearly communicate on various digital platforms.

Also, young people should be aware of entrepreneurship as a potential career path. They have the opportunity to build wealth through business ownership. To that end, classes in entrepreneurship should be offered in public schools.

More new businesses in a community mean more local dollars will be circulating in that community in addition to new jobs. Local policymakers should be cognizant of the benefits of creating a better seedbed for the creation and growth of new businesses. But all too often the dreams of aspiring entrepreneurs are snuffed out because of restrictive permitting, zoning, and other regulations.

It is not so wild a dream but a fact that a number of Fortune 500 companies started in someone's garage. The list of such companies is long and includes Apple, Hewlett-

Packard, Amazon, Google, The Walt Disney Co., and Mattel to name a few. Remember, they all started small.



Business Attraction: The Lure of the Hunt

Our third and final operational strategy of economic development is the one that garners headlines and which unfortunately is viewed by many people as the single most important aspect of economic development.

Business attraction, also known as business recruitment or industry recruitment is by far the most visible aspect of economic development, but it is also the most expensive and the least efficient, even if it does garner the most headlines.

When I left *The Birmingham News* as the business editor in 1998 to join the Economic Development Partnership of Alabama, I erroneously believed that economic development was all about industry recruitment and nothing else. My experiences up to then reinforced

that idea.

It was Sept.30, 1993, when Mercedes-Benz announced it would build an assembly plant in Alabama. I was a business reporter at The News. While other news outlets, including *The Wall Street Journal*, were reporting that North Carolina had won Project Rosewood, my sources were telling me that Alabama was still in the hunt.

Two days before the big announcement, I noticed that grass was being cut and trash being picked up near where the plant would later be built off Interstate 20/59 in a village called Vance.

The lure of the hunt remains as intoxicating to many economic developers today as it was back then. As proof, witness the \$20 billion Intel project going to New Albany, Ohio, and press accounts as to how the project was won.

When I joined EDPA, I became a sponsored big game hunter. My job was to bag 'em and tag 'em, and the Partnership sent me all over the world in that pursuit. BR&E and entrepreneurship were not in my lexicon.

A colleague from my Partnership days, Don Erwin, recently wrote a compelling book last year called "Buffalo Hunting in Alabama." It's the only novel that I know of that makes economic development look like a sexy spy tale. It's a great book centered around business attraction.

There is no doubt that big wins can be transformational for a community, but they are relatively rare. Most projects are far from the size and scope of an automotive assembly plant or a semiconductor "fab" plant.

Business attraction is by far the most costly, least efficient form of economic development because it is almost always a long shot. And relatively few communities benefit. Those that do are typically in a metropolitan statistical area.

One absolute requirement for a business attraction strategy to have any chance of success is that a community must have real estate "product," be it in the form of buildings and/or sites. Without real property, a community simply cannot compete. It should be also be noted that raw land, property in which there are no infrastructure improvements, is

almost always viewed as a nonstarter.

But more and more, companies are looking at the human factor, the human resources within and around a community as a primary factor in deciding on where to invest in future operations.



Workforce Development IS Economic Development

In 2017, the McKinsey Global Institute estimated that as many as 375 million workers—or 14 percent of the global workforce—would have to switch occupations or acquire new skills by 2030 because of automation and artificial intelligence.

In a recent McKinsey Global Survey, 87 percent of executives said they were experiencing skill gaps in the workforce or expected them within a few years. But less than half of the respondents had a clear sense of how to address the problem.

The single biggest challenge facing the profession of economic development is getting workers up to speed to meet the digital demands of the future.

On a local level, it means creating partnerships with local companies to develop employees' critical digital capabilities, their social and emotional skills, and their adaptability and resilience.

It will require assessing the future demand for specific skills, determining the current supply of specific skills, analyzing skills gaps, and then putting together programs to close those gaps.

It is a tough, tough job, but economic developers are in a unique position to bring the public and private sectors together to make a skills transformation happen.



Why Immigration is the Answer

There is a widespread belief that immigrants come to the United States to do the jobs Americans won't do. In reality, they're often here to do the jobs that Americans aren't around to do — at least in the rural parts of the country.

"In the rural areas, if you didn't have the Latino growth, employers would be struggling even more just to fill those positions," one expert told the Associated Press.

In a 2019 Ball State University study, "Fiscal, Economic and Social Effects of Immigration in the Hoosier State," researchers found that 25 percent of population growth in Indiana from 2000 to 2015 was due to immigration. The truth is that immigration is the future of smaller cities and rural communities.

The Numbers Tell the Story

The U.S. population grew just 0.1 percent in 2021, the slowest rate since the nation was founded in the 18th century, according to data from the U.S. Census Bureau. Population growth declined from the previous year in 31 of 50 states as well as Washington, D.C., with 18 states sustaining absolute population losses. It is in large part due to an aging U.S. population, which has led to more deaths and fewer births.

The size, age, and skills of the population will largely determine the U.S.' ability to stay competitive with other countries, support Social Security, and grow an economy that creates jobs. The coming decades will see a continued older America, with the ratio of seniors to working-age adults increasing.

It means more seniors will draw on Social Security more quickly than working-age people will be able to support them. It also means more resources will have to be devoted to supporting the aging population than to growing the economy through new investments and innovation.

If the U.S. was to allow more than 2 million new, legal immigrants to come into the country each year, it would reverse our demographic downward spiral and increase U.S. gross domestic product (GDP) to \$47 trillion in today's dollars by 2050, according to recent research by FWD.us

According to the Census Bureau, the growth rate of the working-age population this decade is likely to be only 0.2 percent annually. The Pew Research Center has forecast that the working-age population between 2015 and 2035 would increase by only 10 million people and that it would come entirely from new immigrants and offspring from existing immigrants.

It is becoming exceedingly clear that the pace of future U.S. economic growth will depend on the pool of immigrants coming into the country. If that pool stagnates, U.S. growth would resemble that of Japan where real GDP growth has averaged about 1 percent per year.

More immigration would not only grow the economy, but it would increase the working-age population as well, leading to a more productive and prosperous economy. Higher GDP per capita means a higher standard of living for all Americans.

Immigrant's Outsize Contribution

Finally, it should be noted that immigrants have historically made outsize contributions to the U.S. economy and innovation. Since 2000, immigrants have been awarded 40 of the 104 Nobel Prizes won by Americans in chemistry, medicine, and physics. A fifth of current Fortune 500 companies have been founded by immigrants.

Immigrants are more likely to become entrepreneurs than the average person because those who leave their countries to start a new life elsewhere are more willing to take risks, says a researcher.

Voluntary international migrants have a more entrepreneurial personality as a result of self-selection," writes Peter Vador, a senior researcher and lecturer at the Vienna University of Economics and Business.

In a paper published in the Journal of World Business, Vador shows that the remarkably tendency of international immigrants to found companies – often at a much greater rate so than the native-born residents of those countries – comes down to their willingness to assume reasonable risks.



Just Click It

Apple's Nine-Minute Ad About the Great Resignation is Awkwardly Brilliant [Inc.](#)

In the next 10 years, we'll reinvent every industry [The Guardian](#)

How Silicon Valley taught America to treat work as a religion [NY Post](#)

Inside CEO David Solomon's mission to end hybrid work [Fortune](#)

Why the world's bad guys are on the rise [Yahoo Finance](#)

Why are US gas prices soaring when America barely uses Russian oil? [CNN Business](#)

**Like what you see?
Subscribe to The Rising
Tide**



Dean Barber is the principal of Dallas-based BBA, which offers consulting services to economic development organizations and companies for location analysis. We ask the right questions, and we include our clients in the planning process to find practical and tactical solutions that work to change lives.

**14902 Preston Road. #404-771. Dallas TX 75254
972-767-9518**

Check out our website 

You've received this email because you are a subscriber of [this site](#).
If you feel you received it by mistake or wish to unsubscribe, please [click here](#).