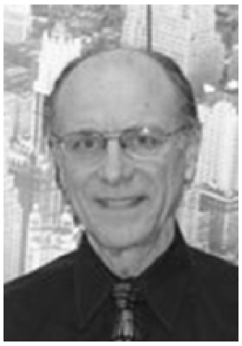

Final Thoughts

Emil Malizia

Professor & Director of the Institute for Economic Development
Department of City and Regional Planning
The University of North Carolina at Chapel Hill

I want to thank the editors for inviting me to have the last word in this CPJ issue. What follows are thoughts based on my knowledge of regional economic development, the subject I began researching at Cornell University in 1965. I'll present an idea and then suggest applications for planners. I will not present evidence. If you want to discuss any of the following, please contact me.

Idea: Nodal regions contain labor market areas (LMA) that account for 90% of GDP in the U.S.
Application: The LMA in which you are located is the functional economic unit that matters. The Census Bureau and jurisdictional boundaries create confusion. North Carolina is not an economic unit. Many N.C. counties are part of LMAs in other states. For example, northeastern NC counties are part of the Norfolk LMA; failure to understand this reality has undermined effective regional economic development strategies there for many years.

Idea: the LMA's economic base consists of the traded or export sectors that produce services and goods for non-residents and businesses in the rest of the world.
Application: Economic outcomes in your LMA depend on the competitiveness of your basic/traded industries. Figure out which businesses are in your economic base and use the tools available to you to help them succeed in the market.

Idea: History determined the geographic location of your LMA; the LMA's current economic base determines its economic location.
Application: The Research Triangle Area, for example, should not consider places like Charlotte, the Triad, Silicon Valley or Rte. 128 in Boston as its competition. The RTA's nearest economic neighbors are Austin, Columbus (Ohio) and Nashville. Planners in these areas should learn about their competition's economic development strategies and outcomes.

Idea: The collection of LMAs that make up the U.S. economy is metro focused; urban employment nodes attract the lion's share of investment.
Application: Non-metro counties in NC can earn income from tourist, retirees, agriculture, and other businesses in the traded sector. But their most valuable resource is the out-commuter who works in an urban area and brings income home. Planners should learn all they can about out-commuters since they are the leading export.

Idea: The division of labor is limited by the extent of the market (Adam Smith 1776).
Application: Growth of non-exporting businesses in your area is limited. Estimate the effective demand for retail, personal services, and other local sectors on the basis of your growth forecasts and figure out the appropriate size of these sectors. Local sectors are chronically over supplied in many places, leading to unnecessary business failures. Better to restrict expansion of the non-traded sector than to waste valuable public infrastructure.

Idea: The smart money thinks the U.S. must specialize in knowledge industries to become more competitive. If this is correct, the large majority of local economies have gloomy prospects. The winners will be relatively large metro areas with deep, highly trained labor pools, strong anchor institutions, ample public resources, etc. The losers should rethink whether buying in (specialization to trade) is more viable than checking out (greater local self-reliance).
Application: Competing in the global economy generates exposure to substantial downside risk, even in places holding their own. Planners should help build and support the local food sector (farm to fork), consumer and producer coops, credit unions, in-kind trading for health care, etc. Remember that local well-being can be improved without earning more income.

Idea: J.M. Keynes was right: supply does not create its own demand (J.B. Say's law). Deficit spending in the near term for more jobs and income in the long term has never been cheaper. (The yield on 10-year Treasuries was 1.98% this week.)
Application: Dramatic increases in income and wealth inequality are problematic for many reasons, one of which is inadequate aggregate demand. Planners should support policies that would increase aggregate demand including public service employment to rebuild infrastructure and expand public services, labor organizing to fight for a greater share of productivity gains, and higher minimum wages. In addition, supporting meaningful regulation of investment bankers could prevent them from creating another major recession in the near future.

Idea: The regional economy is spatially differentiated. Export sectors tend to cluster in specific employment nodes. The workforce locates in residential areas served by non-export sectors.
Application: It makes no sense for local jurisdictions in one LMA to compete. Planners should learn and teach others about the economic role of each place and formulate cooperative strategies to improve the regional economy. Finding ways to promote tax-base sharing would accelerate cooperation.

Idea: Market forces are reassessing the space economy, and urban centers may become the preferred locations after 60+ years of suburbanization.
Application: Planners should help redevelop what I call vibrant centers – walkable live-work-play places with urban amenities and character, starting with the downtowns of larger cities.

Idea: Economic growth means bigger; economic development means better.
Application: Long-term, public interest oriented economic development is sustainable development in the economy realm. Effective economic development strategies should be completely compatible with strategies to improve the environment, bolster ecosystem services, conserve energy, promote sustainable energy, etc. They should also be compatible with strategies that help people live healthier and safer lives. Economic development planning improves public health and increases public wealth.

Idea: Economic developers seek economic growth by providing financial incentives to close deals in the near term that serve business interests. Planners are development oriented. They do long-term analysis and use public investments that serve the public interest.
Application: Economic developers are misnamed; they are actually “economic growthers” who tend to imitate competitors. As a consequence, the economic development field is wide open to planners who can formulate innovate strategies based on the unique attributes of place.