


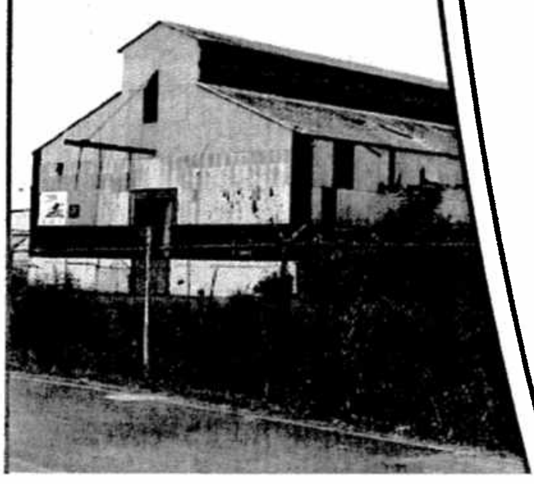

Chasing the Past or Investing in Our Future

Placemaking for Prosperity in the New Economy

Executive Summary

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LAND POLICY
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Shaping the Future from the Ground Up

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Executive Summary

In these dark economic times, communities across the U.S. are asking this fundamental question: "What do we need to do to survive—and, ideally, prosper—in the New Economy?"

This report seeks to clarify the answer to this question by "decomposing" economic growth into income-related, employment-related and population-related "drivers" for prosperity. At a national level, this report teases apart the multiple, integrated economic, social and geographical factors that contribute to prosperity in the New Economy; analyzes their synergistic effect on each other; and then offers economic strategies for communities to command their futures.

The report's analyses strongly suggest that local and state policy makers act decisively within the context of the New Economy's realities—which have eclipsed the older model of economic development in Michigan and elsewhere. For example, people today "chase place," not jobs, as in the past. Additionally, the report's findings suggest that communities can find themselves either in the mode of synergistic growth or synergistic decline. Economies that find themselves on the wrong side of growth may continue to spiral down if they don't employ effective strategies to avert a free-fall. The report also finds that economic development at the regional level, clustered around assets, looks to afford Michigan communities an opportunity to be on the upside of growth.

Key to the report is the nature of relationships among drivers of growth: green infrastructure, gray infrastructure, talent, the presence of universities, legacy issues, taxation policies, government efficiencies, knowledge workers, housing markets and demographic variables, among other determiners of how the New Economy functions.

Among the report's highlights are important conclusions that the economic drivers of choice must fit with the specific place:

- "Knowledge workers" are key drivers of place competitiveness in the New Economy. The estimated impacts of the concentration of 25-34-year-olds (a group expected to possess the newest vintage of knowledge and talent) confirm previous findings that knowledge and creativity translate into job creation in urban areas, but not in rural areas. While attracting knowledge is a viable strategy in urban areas, rural communities may want to pursue other strategies that may well be more fruitful in achieving economic development.

- Education numbers (percentage with a Bachelor's degree or above) suggest that the concentration of college-educated people helps attract population to urban areas (although no increase in per capita income or jobs accompanies such population). Universities are also known to be treasure troves of innovation. Patents translate into huge job

opportunities in urban areas, but only have modest impact in rural areas, further supporting the notion of university-centered economic development strategies for metropolitan areas.

- Some communities are considering the attraction of retired or senior citizens as a strategy for economic development. This strategy may work in urban areas, but not as well in rural areas. In urban areas, the presence of senior citizens translates into job creation and per capita income growth, two key elements of prosperity, although they tend to crowd-out other age groups. In rural areas, while they marginally raise per capita income, they actually crowd-out jobs while not attracting other age groups. This finding is intriguing considering the widely held view that if you can't attract the youth in rural areas, then attract retirees.

- More and more immigrants are knowledge workers and possess greater entrepreneurial spirit. Philadelphia, Boston and Minneapolis have developed programs to attract targeted immigrants. This report finds that immigrants attract other population in both urban and rural areas, but add to the job base only in urban areas, suggesting that immigration-based strategies for economic development may only suit urban communities.

- For communities that are focused on trying to keep taxes reasonable, relative to services provided, the report finds that such low taxes spur population (more so in rural areas). Local fiscal policy, however, does not seem to have an impact on job and per capita income growth. Therefore, the old strategy of tax-based job attraction only attracts population, but does not affect employment or income.

- The Obama Administration appears to be correct in targeting some of the 2009 American Recovery and Reinvestment Act (ARRA) money towards gray infrastructure. Report results predict that such investments will not only attract population, but will create higher per capita income and jobs in both metro and non-metro areas.

- However, green infrastructure—trails, recreation areas, parks—tends universally to be a very potent driver of growth, particularly in urban areas.

- Finally, the Midwest seems to have a structural limitation, which makes it less attractive for growth in population and jobs than the Southwest, the West and the Southeast.

The policy implications from this study include:

- For urban areas, focus on population attraction, especially knowledge workers such as 25-34-year-olds, the creative class and college graduates; as well as targeted immigrants.

- Harness the inherent knowledge base of universities, especially leveraging the fact that they produce both knowledge workers of the future and intellectual property.

- "Place-make" to attract knowledge workers through such green infrastructure investments as trails, parks, recreational areas, amusement places and so forth.

- Old industrial places built on an industrial legacy should be working aggressively to diversify their economies and nurture the emergence of New Economy sectors. High-finance and general service, for example, are expected to be more potent generators of new opportunities than manufacturing.

- Urban policy makers should focus more on strategies to attract New Economy growth rather than on strategies that focus on fiscal competition, which are largely ineffective in job creation. In fact, the latter strategies have a tendency to attract population, making the job of economic development more difficult.

- Rural areas appear to face a structural disadvantage in the sense that economic growth appears to be increasingly favoring metropolitan areas. Rural policy makers must factor into their decision-making the idea that it could become increasingly difficult for rural areas to compete for the drivers of growth in the New Economy.

- The fact that rural communities are still generally more dependent upon traditional industries, such as agriculture, suggests that such industries need to be nurtured in order to maintain the economic base they currently afford. Therefore, a more strategic look at the role of agriculture and manufacturing activities that currently anchor economic activity in rural areas needs to be pursued more aggressively for rural America.

- The New Economy may be difficult to leverage in rural areas, but such areas might be well advised to explore the concept of New Agriculture. Agriculture can be better tied to emerging opportunities in information and telecommunication technology, in financial services and in renewable energy.

- Rural communities are generally best served by connecting their economies to nearby metro areas.

- Rural communities will definitely benefit from such gray infrastructure investments that would result in job creation. In fact, non-metropolitan places were shown to have a high potential for per capita income growth as a result of gray infrastructure investment.

Perhaps the greatest opportunity in recent years facing rural and urban communities in the U.S. is the funding from the ARRA bill. But what is equally important is how various communities spend this money. Surely, expenditure in shovel-ready gray infrastructure will create jobs, but we are doubtful that the effects will be long-lasting or would bring any meaningful change in the transition of rural and urban communities towards the New Economy. Communities across the U.S. are encouraged to consider the title of this report: "Chasing the Past or Investing in Our Future." Placemaking for prosperity seems possible in the New Economy, but communities need to know how to do this based on their critical assets and the opportunities before them.

About the Land Policy Institute Report Series:

The Land Policy Institute Report Series provides a conduit for scientists and Extension practitioners at Michigan universities to communicate their path breaking work to professional peer institutions, policymakers and other constituents at the local, state and national level. The science-based information that this series provides is intended to contribute to the knowledge and understanding of these audiences and the development of innovative and sustainable land use policies. The series presents findings from frontier research on issues ranging from Urban Revitalization to Farmland and Natural Resource Conservation. Reports published in this series are reviewed by appropriate peers from industry, government, academia, non-governmental organizations and combinations thereof. The review process is coordinated by the Land Policy Institute, with the John A. Hannah Distinguished Professor in Land Policy serving as the Series Editor.

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