Resilient Economic Development: Challenges and Opportunities

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The question of what makes and keeps local and regional economies and societies resilient is an important one. In an increasingly global and competitive world, the market and other forces that influence a local and regional economy can change quickly and alter the competitive balance in ways that can be extremely disruptive to local economic dynamics. Many have noted the important role that public policy can play in shaping how a city or region responds to these changes, both in the short and long run (for example, Porter, 2010; Andersson, Quigley, and Wilhelmsson, 2009).

Events in the past decade have only increased interest in this issue. Hurricane Katrina and the 9-11 terrorist attacks made clear that resilience is relevant and important regarding natural and non-economic political forces in addition to economic competitive forces. The longer-term ongoing struggles of rust belt cities like Detroit MI and Cleveland OH, as well as those in places like Memphis TN, Chester, PA and Fresno, CA – and the different strategies each has pursued – sharpens the issue even further.

This paper explores a specific question in this context, namely whether the approaches taken by local and state policymakers change with differing economic contexts. It provides a blueprint for how regions and communities might approach achieving resilience in the face of fluctuating economic and public fiscal capacity. How do economic and fiscal contractions influence the set of initiatives and policies localities will employ, and how can localities minimize adverse effects of these contractions on their economic development efforts?

The Great Recession of 2007-09 brings this question into sharp relief, as states and cities across the country faced significant fiscal challenges in its wake. If the depth and intensity of this economic downturn represents a “new normal” of greater economic volatility after 40 years of increasing stability in macroeconomic measures (Sensier and van Dijk, 2004) then this question may be increasing in importance. While this is not a consensus view, the past 25 years have been marked by three significant recessions (1988-1991, 2001-2002, 2006-2009) and one period of historic growth (the late 1990s). It appears that having coherent and effective local strategies for implementing policies that promote economic growth and development that remain impactful in varying economic circumstances will likely be critical for sustained robust economic development.

To open the discussion, this paper begins with a brief treatment of the requirements for successful economic development as well as sustained resilience of these efforts. This section includes a review of the drivers of economic growth, and how the institutional context can influence the trajectory of that growth. An important element of this is a recognition that the forces may play out differently depending on the geographic scale being considered. The paper then contrasts the cyclicity of public funding with the constancy of need. The paper concludes with observations and recommendations for approaches policy-makers can take to maximize resilience and ensure that efforts seeking to promote enduring change and growth are not hampered by disruptions to resource provision.

The Context: Economic Development and Resilience

Economic development is the result of the interaction of policy with the prevailing economic forces. In turn, policy’s efficacy is a function of how successfully and effectively the governmental and other institutional organizations interact and collaborate. This section briefly reviews the nature of these relationships, which provides a framework to help us consider how policy might change in the face of changing fiscal capacity. In addition, this section highlights the important issue of geographic scope – economic development can happen at various levels and each features unique dynamics.
Economic development: The economics of growth

Economic development must first and foremost leverage the forces and dimensions that generate and sustain economic growth and prosperity. Urban places arise because of agglomeration forces that drive density and production (Quigley, 1998). There are a number of economic factors that drive this agglomeration. The most basic of these are the needs of production and consumption. In general, people must come together in order to produce and exchange most goods. Innovations in technology have reduced such needs in some cases. For example, eBay and other e-commerce vehicles have allowed much retail activity to take place remotely. Similarly, email, telework, and teleconferencing have reduced the need for employees to be near each other to effectively conduct business. However, these innovations have not yet created transformations that suggest that production and consumption agglomeration forces are unlikely to disappear. The demand for retail space, while reduced in some sectors, has remained robust despite the increased prevalence of technological alternatives. Similarly, the demand for office space has evolved rather than disappeared, and we now see new arrangements, such as “Silicon Beach” and other models, that leverage resource sharing in ways that differ from the past.

In addition to these agglomerative forces, urbanized places exist and thrive because they offer opportunities to realize increasing returns to scale and positive production externalities (Marshall, 1890; Krugman, 1991a; Porter, 1990; Potter and Watts, 2011). Increasing returns arise when an increase in output reduces average total costs per unit of production, a circumstance that exists for many industries including those for computers and music. Other agglomeration externalities focus on positive spillovers associated with the exchange of information. These spillovers can occur either within industries or across industries, which provides benefits for urban places with a more specialized industry mix (for within industry spillovers) or a diverse industry mix (for across industry spillovers). More specialized urban places also can provide a more efficient delivery of services, as infrastructure can evolve in ways that streamline access to productive inputs and the ability to move final products to market.

One must also recognize that agglomerative forces have some negative aspects that must also be considered when trying to understand and shape the nature and extent of economic growth. For example, agglomeration can increase density and development to a degree that, if not managed effectively, creates adverse congestion. This congestion increases the cost of transporting goods and commuting to work, and can reduce relative competitiveness. If adverse factors such as these factors are not addressed, efforts to promote economic development and growth and, by extension, to establish resilience are likely to be less successful.

Economic development: The policies

Given the economic context, governments at all levels have a number of strategies at their disposal for trying to spark economic development. They can be grouped into several broad strategies: direct subsidies, tax expenditures, zoning and land use changes, infrastructure investment, and order and disorder approaches targeted at providing signals for commerce and investment. Each of these can promote economic development and increased prosperity. The ensuing section briefly reviews these various approaches and considers some of the evidence evaluating their effectiveness. This literature shows that policies in each category can be effective, but that success is generally not guaranteed.

The discussion of policy examples skews towards affordable housing policies for convenience. However, programs using each strategic category exist in all major economic development policy areas, including workforce training, small business development, and neighborhood revitalization.
Direct subsidies. Direct subsidies are associated with grants and low-cost funds, usually from public sources. Significant sources of funds originate from place-based formula and competitive grant programs operated by the federal government. Programs here include the Community Development Block Grant program, the HOME program, the Jobs Corps, the Workforce Investment Act Adult Program, and the Economic Development Administration Grant Program. Also falling into this category are proceeds generated by the issuance of municipal bonds, which typically have lower interest rates than can be obtained in the broader market, and local policies whereby subsidies such as down payment assistance can be offered. There is diversity in what is known about the effectiveness of these programs. Programs targeting the labor force have received considerable attention from researchers, and have yielded useful findings that have shaped program design. By contrast, despite their strong support among policy-makers, there has been virtually no research assessing the impact of the CDBG and HOME programs. This is an unfortunate omission.

Tax expenditures. There are a number of policies that do not require explicit appropriations but which impact budgets nonetheless. Many of these operate through federal or state budgets, including low income housing tax credit, the earned income tax credit, redevelopment areas, enterprise zones and free trade zones. However, lower levels of government have also adopted some of these approaches, sometimes as a supplement to existing federal programs and at other times as a stand-alone program. State enterprise zones are an example of the former while tax increment schemes associated with redevelopment are an example of the latter. Evidence on these types of programs suggests that they can be effective economic development strategies in some circumstances. But, as with direct subsidies, the overall evidence base on the program effectiveness of tax expenditures is mixed, both in terms of depth and effectiveness. Regarding enterprise zones, for example, Bostic and Prohofsky (2006), Papke (1993) and others have found positive impacts in terms of business formation and retention and employment. On the other hand, other studies have found at best limited effects on economic growth (Kolko and Neumark, 2010). The similar mixed record of results for evaluations of other strategies suggests an important role for local context in determining ultimate program effectiveness.

Zoning and land use. Zoning and land use policies represent another set of policy initiatives that can the public sector can use to influence and promote economic development. These policies generally are targeted to specific local areas and, as land use is generally determined by specific jurisdictions, tend to be enacted are generally locally. However, some land use policies, such as urban growth boundaries, are implemented at broader levels of geography, and thus this class of policies has application at multiple geographic levels. Empirical evidence makes a strong case that zoning and land use policies impact the value of assets and thereby impact economic development potential (Breuckner, 2007; Knaap, 1985; Glaeser, Gyourko, and Saks, 2005). Most of this research emphasizes the negative aspects of the restrictions this zoning generally introduces, but these negative findings effectively make the point of the important role that zoning and land use can play for economic development. Moreover, anecdotal evidence suggests that efforts in this category can be catalyzing in terms of economic development and private investment.¹

Infrastructure investment. Industry efficiency increases with higher quality infrastructure, as better infrastructure lowers the cost of moving goods and people to and from places of work and commerce. Those regions with better infrastructure are better positioned to leverage future economic developments, grow robustly, and weather tougher economic winds. Investments in this area include establishment of new or expansion of public transit, widening of streets to accommodate more modern transport and production technologies, and bolstering the power grid to increase its ability to carry load. Ample

¹ USC Professor Alex Saunders noted that the City of Los Angeles’ amending of the mixed-use ordinance for downtown was followed by significant private commercial investment in housing and retail space.
evidence exists that investment in public infrastructure enhances economic performance at various geographic levels, though the magnitude of effects appears to vary with time, industry and geography (Aschauer, 1989; Munnell, 1990; Morrison and Schwartz, 2006).

“Order and disorder” policies. Finally, the past 30 years have seen increasing emphasis on the power of policies that are not targeted at economic development per se, but rather at the conditions that many believe are precursors to the private investments that can spark economic development. These include major policies initiatives, such as those seeking to reduce the incidence of crime, as well as smaller scale efforts targeting sources of disorder, such as those with objectives to eliminate graffiti, fix broken windows in buildings, and convert the most significant sources of blight. If effective, these policies are believed to potentially change the perceived appeal of locations as investment targets and new private investment activities. Here, the general belief is often that the fundamentals for economic growth are in place, but intangibles have gotten in the way. Others have pointed to regulatory and enforcement actions like code enforcement as an important component of an effective “order and disorder” strategy, as building and health codes can be used to shutter nuisance properties and allow for their conversion from disamenities to community assets (for example, Kromer, 2010). The empirical evidence is clear that aggressive policies can reduce crime, though there is some debate as to whether claims regarding the impacts of enforcing laws targeting minor infractions, such as broken windows, are effective (Harcourt and Ludwig, 2006; Corman and Mocan, 2005). Given the widely recognized negative relationship between crime incidence and private investment, these policies have a clear positive link to economic development.

Economic development: The vital role of institutions

While much of the energy of economic development typically focuses on the economic environment and policy levers that prevail either regionally or at more local levels of geography, it is also true that the institutional context is a critical factor in determining the success or failure of an economic development program. Every policy must be implemented, and implementation occurs through specific institutional vehicles.

Prevailing wisdom had long held that public sector institutions would be the primary implementer of policy, whose impacts would shape outcomes in the private and non-profit sectors. Increasingly, however, we have observed the participation of non-profit and private sector actors as key contributors to the execution of policy. Affordable housing production is an exemplary model of this. At the outset of federal housing policy in the 1930s and 1940s, the federal government was positioned as the developer of housing units that would be occupied by those needing housing assistance. However, in the wake of the failure of high profile public housing projects, the policy model in which the public sector was the sole participant was ended. In its place was put a policy in which the public sector provides subsidy financing to private and non-profit housing developers willing to build housing following governmental guidelines, which include requirements for lower, more affordable rents. Today, virtually all new affordable housing units are produced by private and non-profit developers under this model. (Graddy and Bostic, 2010) This intersectoral model of institutional support or direct partnership now prevails in many policy arenas, including homelessness, community development, small business development, the environment, such as creating and managing parks and open space, and infrastructure production (see, for example, Suarez, 2012; Wang and Graddy, 2012).

From an academic perspective, the importance of effective implementation of policy has been long understood. For example, scholars at the time of the Great Society were deeply concerned with the challenges of implementation and the implications for policy efficacy. Among this body of work – Rittel and Weber (1972)’s seminal writing on “wicked problems” is of this era – were key pieces emphasizing
the multidimensional challenges that implementation offers. Sabatier and Mazmanian (1995) create a more formal conceptual framework of policy implementation. This framework highlights the importance of institutional capacity, embodied in staff skill and resource availability, the prevailing rules for decision-making, and institutional relationships. Regarding the latter, a key evaluative criterion is whether the various organizations share incentives and have ideological alignment. There is a long-documented adversarial relationship between cities and suburbs and among suburbs (Maier, 1974, for example). These frictions can limit the efficacy of policy and the extent to which economic development is realized.

In the intervening period, the high profile of implementation concerns in scholarly contexts has waned somewhat, and the application of scholarly insights regarding implementation to real-world contexts has lagged (Gastwirth, 2012; Saestren, 2005; O’Toole, 2004). Unfortunately, challenges of implementation remain significant for many. The Obama Administration’s Strong Cities, Strong Communities (SC2) initiative as well as HUD’s OneCPD technical assistance modernization are but two policy initiatives that make this point. SC2 seeks to “assist communities that have faced long-term challenges in developing and implementing their economic strategies.” (FN: http://www.whitehouse.gov/the-press-office/2012/03/15/obama-administration-establishes-white-house-council-strong-cities-stron). It features on-the-ground assessments of local capacity, the embedding of skilled federal experts inside local government agencies to supplement capacity and enhance program implementation, provision of resources to enable coordinated interagency local and regional planning, and a technical assistance network to provide on-going support to policy implementers as needed, among other features. The OneCPD initiative represents a new way of providing technical assistance to local governments. It explicitly recognizes that local capacity challenges are not program-specific but rather tend to be common across programs and are better addressed in a holistic comprehensive manner. The delivery of technical assistance occurs with this philosophy in mind (FN: https://www.onecpd.info/about-onecpd/). Both efforts represent an explicit acknowledgement that implementation problems threaten the effectiveness of policies seeking to transform communities.

Economic development: Defining geography

In considering economic development, it is useful to provide clarity about the appropriate geographic scope to consider. Economic development efforts focus on several different levels of geography, each of which requires an emphasis on different types of considerations. A natural geography to consider is the region, as economic activity is typically organized at a regional scale. Economic models make clear that economic and agglomerative forces shape the built environment without consideration of jurisdictional boundaries, with the forces driving supply and demand determining the location, scale, and trajectory of production, residential, and retail land uses. Indeed, a significant body of evidence makes clear that central city and suburban economies are closely tied together and that weaknesses in one adversely impacts growth on the other and in the aggregate (Voith, 1993; Voith, 1998; Haughwaut, Inman, and Henderson, 2002). Clearly, regional policies that improve coordination and strengthen the region or its component jurisdictions hold the potential to produce effective positive change.

Despite the important role that regions play in economic development and performance, regional policy is observed in relatively few circumstances, as most regions are governed in a disaggregated fashion by a large number of independent towns, cities, and counties. This reality makes the city a natural unit of geography to consider. Most economic development policies are implemented by cities, and the public sector resources flowing to a region often are directed to cities rather than regions. Moreover, cities are often the drivers of major infrastructure investments that can strengthen the relative position of a region. For example, local officials, including Los Angeles Mayor Tom Bradley, played vital roles in driving the investment in and growth of the LA-Long Beach port and Los Angeles International Airport (LAX) that
catalyzed their positions as the dominant transport hubs in the western United States (Erie, 2004). We see similar city-based efforts taking place in many urban places.

A third geography to potentially consider is the neighborhood. Within a city, economic activity and welfare are not evenly distributed; many neighborhoods and communities lag behind. These neighborhoods often are isolated from the broader city or regional economic engine and suffer from social problems that draw resources away from other productive uses. Much government effort at the local, state and federal level seeks to transform the trajectory of these struggling places and help them better contribute to and benefit from the city and regional economic engines.

In thinking about government policy and resilience, the level of government one is focused upon determines the activities and considerations that should receive the most attention. Regional assessments and strategies should focus on establishing which economic and agglomerative forces dominate, and how they play out in terms of an industry mix, labor force needs and skills, capital and infrastructure requirements. By contrast, local neighborhood and, in most cases, individual city policies must consider the roles each plays in contributing to the regional economy, and establish areas of weakness, strength, and opportunity. Importantly, these policies must have a connective element to them, as the residents and resources will necessarily relate and interact with residents and resources in other proximate communities in ways that combine to make the regional economy function. Approaches that are more isolated in their orientation are unlikely to yield successful and sustained economic development and improvement.

**Volatility in Economic Performance and Public Finance**

The existence of business cycles – and their effect on public sector finance – has long been recognized. Since the 1800s, the United States has experienced more than 25 economic cycles of growth followed by a contractionary period of varying intensity and length (National Bureau of Economic Research). Business cycles are not unique to national economies, but rather occur at nearly every level of economic organization. Thus, we observe significant fluctuations at the state, regional, city, and neighborhood levels. California in recent years has suffered from a major spike in unemployment and volatility in output. At the regional level, a number of regions have experienced cyclical boom-bust periods over both short and longer terms. This is perhaps most clearly seen in those regional economies that are driven by oil, gas, and other natural resources. We have seen large fluctuations in the fortunes of oil-based economies of Denver and Houston and technological innovations regarding resource extraction of oil shale have introduced this dynamic more forcefully to new geographies in North Dakota and western Pennsylvania. But regional cyclicalities has also been observed throughout history as broader economic trends have caused industry sectors to ebb and flow. For example, the declines of New Bedford, Lowell and other textile markets of New England has been well documented, and the rapid decline of historical rural population and economic centers of the Great Plains, which began in the early 1900s, continues.

While economies often operate on a regional scale, economic declines and cyclical performance need not be regional in geographic scope. Indeed, some central cities have seen lengthy recessionary periods, which could at times be considered chronic declines, while the region at large can be deemed growing healthier or at a minimum is showing cyclicality. For example, a recent monograph shows that, over the past 30 years, the Detroit metropolitan area showed periods of growth even while Detroit city continuously declined (Hill, St. Clair, et al. (2012)). Neighborhoods show similar cyclical dynamics.

The ebb and flow of economies suggests an ebb and flow of public sector finances, as the amount at a public institution’s disposal depends upon the level of economic activity and the value that activity creates. The extent of volatility in public finance is closely tied to the nature of the economic fluctuations
(i.e., which sectors of the economy are growing or shrinking), the tax structure, and the relative importance of revenues across various sources. Thus, although business cycles will drive the direction of public budgetary volatility, the magnitude of their importance for tax revenue and, by extension, the provision of services and programs, varies.

The recent Great Recession episode highlights the extent to which the nature of the economic fluctuation affects public finance volatility. In the run-up to the Great Recession, public budgets swelled due to ever-increasing tax revenues from higher incomes, sales, and property values. In 2007-2008, data from the U.S. Census of Governments indicate that aggregate state and local public budgets were at their highest levels on record. The 2007-2008 levels were more than twice as high as receipts in 1995, 50% higher than levels in 2002-2003, and had grown by 22 percent in the previous 3 years. These higher budgets were used to support, among other things, increases in the provision of educational, public works and other services, more public sector employment, and increased investment in neighborhoods.

The Great Recession precipitated a sea change for public budgets. The loss of jobs and full-time employment in the general economy resulted in a major decline in public sector revenues arising from income and sales. Income tax revenues fell by 14.6 percent to $260.3 billion between 2008 and 2010. Declines in retail sales caused sales tax revenues to fall by 4.2 percent between 2007 and 2009. Further, this distress was exacerbated by subsequent troubles in major industries, perhaps most clearly represented by the auto industry. In 2009, as part of the Troubled Asset Relief Program (TARP), General Motors and Chrysler together reduced their dealership network by about 2,000 dealers, representing about 25 percent of their aggregated total (Office of the Special Inspector General for the Troubled Asset Relief Program, 2010). Such a hit to a powerful economic engine driving sales revenue and jobs additionally hurt states and localities, particularly those more dependent on the industry as an employment base and on such sales as a major producer of tax revenue.

The housing crisis added to these woes. While the loss of sales tax revenue was significant, the crisis had two other effects. First, it reduced investments in housing that required permitting – new construction measured by permits fell by 73 percent and home improvement activities, as measured by loan amounts, fell significantly as well. As a consequence revenues from the permits required for these activities fell considerably. Second, declining values mean that property tax revenue stagnates or even decline. Instead of being revenue generating, as it had historically been, the re-benchmarking tax basis that occurs in many states after a sale more frequently worked to the detriment of a jurisdiction’s fiscal interests. For example, data on repeat sales showed significant declines in many metropolitan areas between 2006 and 2009, meaning that the sale price of a given house was lower than the most recent prior sale of that house. This reduces the new benchmark for taxes, thereby imposing a loss for the jurisdiction from a fiscal perspective. Many states permit property owners to petition for a reassessment of a property’s value, an option that is only pursued by property owners when prevailing market values are lower than those in times past. We have witnessed a significant uptick in the frequency of requests for reassessments of property. In Washington DC, for example, estimates are that reassessment requests in the last 12 months resulted in new assessments that reduced property values by $2.5 billion, which “cost” the city $48 million in revenues. In the aggregate, the billions in reductions in revenue resulted in difficult decisions for jurisdictions faced with balancing their budgets. Unlike the federal government, which can run deficits for periods of time, local and state governments are must generally operate under a balanced budget over the course of a fiscal year.

Responding to Need when Budgets Shrink
The volatility of public resources conflicts directly with the often intractable stability of need for goods and services. Independent of the business cycle, the citizens of a jurisdiction will still demand education, trash collection, police, fire, and other services. Thus, strains will be placed on the budget when economic contraction occurs. Similarly, local governments are continually seeking to improve the status of their jurisdictions and stabilize economic trajectories. There are many communities of need that lack public safety, good education, job opportunities, and other basic amenities viewed as fundamental to American values of liberty, freedom, and choice. In these places, need is often not cyclical - the demands on consistent and long-standing.

Thus there is on-going demand for programs from the suite of economic development policy options, even during times of acute fiscal constraint. However, some of the classes of economic development strategies that were discussed above are more difficult to maintain during times that require public sector belt-tightening.

Because direct subsidy programs often represent direct budgetary line items, they will generally be weighed against all other public obligations in discussions of priorities. Economic development is often fares poorly when weighed against core governmental functions such as policing and education, resulting in its receiving lower priority. **EXAMPLE OF CITY DROPPING/LIMITING ED POLICY AS BELT TIGHTENING.** Decisions at the federal level, which are influenced by a similar dynamic, can exacerbate these effects. In the most recent episode of budget reductions at the federal level, for example, the Department of Housing and Urban Development opted to cut expenditures for their block grant programs (such as CDBG) as opposed to reducing resources available to honor commitments for rental assistance.

Tax expenditures are generally believed to be associated with less political risk than direct subsidy programs because they are automatically triggered and do not typically require annual deliberations. As a consequence, one might expect that this class of strategies would be less susceptible to fluctuations as fiscal conditions shifted. While generally true, this class of policies is not immune from being reduced. For example, the state of California recently eliminated a powerful tax expenditure program – the redevelopment agency – in a quest to shore up shaky budget finances (CITE). Redevelopment agencies in California functioned based on a tax increment structure, whereby the extra taxes through increased value generated from the agency’s investments were added to local budgets to be used to finance a diverse set of community and economic development activities. The loss of redevelopment has cost local governments $5-6 billion in available funds, with fully 20 percent of that reserved for affordable housing. This represents a significant blow to California’s local economic development efforts.

Unlike subsidies and tax expenditures, zoning and land use policies are rarely eliminated when budget challenges arise. Because these policies generally represent an evolution of collective decision-making and politics, they are generally able to withstand budgetary challenges. However, their effectiveness relies upon vigorous engagement from private, non-profit and philanthropic sector partners, and these organizations (save the philanthropic ones) are likely to be experiencing troubles comparable to those being encountered by the public sector.

The challenge for maintaining infrastructure investments is that the bulk of the benefits for these investments are realized well into the future, while bulk of the resource demands are felt contemporaneously. Both pose problems. In difficult budget environments, large line items with limited immediate payoffs become easy targets. The elimination of high speed rail programs in Florida, Ohio, and Wisconsin all are examples of this (Grunwald, 2010). Moreover, the fact that the benefits accrue mainly in the future means it is more difficult to construct sizable vocal and active coalition capable of winning a political battle regarding such investments. So this strategy is also at risk.
Order and disorder can also be adversely affected. These policies are often labor intensive, and so can be relatively expensive to operate. For example, effective implementation of a rigorous property inspection program could require significant increases to a jurisdiction’s inspector corps in order to meet increased expectations and workloads such a program creates. Thus, acute pressures to reduce public sector staff can be a threat to the effective operation and positive impacts of these types of programs. So although they can often survive the “chopping block,” their efficacy can be significantly reduced.

On balance, reliance on purely public approaches for economic and community development is likely to leave communities and regions vulnerable to public funding cycles. As discussed further below, resilience then is threatened if public sources are the sole origin of support and energy. A broader approach, one that involves players from across all sectors and draws from the diverse skill set that exists in a community or region, is needed.

**Resilient Economic Development**

Successful economic development, whether at the regional or more local level, requires sustained collaboration and coordination. Economic development efforts rarely run their course over 6 months, a year, or even 5 or 10 years. Rather, economic development typically occurs incrementally over long periods of time, as the investments in new and latent opportunities that are made require time to take hold, evolve into mature enterprises, and become engines of growth. There is inherent risk in this process. The enterprises that are the product of the economic development strategy will necessarily be start-ups, and there is a long-standing recognition that start-ups have a high failure rate. If these foundational organizations are left to their own devices, then, economic development will occur at a far slower pace since a number of essential cogs will not survive and will need to be replaced – a process that will have to start anew with each death and new birth.

To minimize lost time in the midst of this dynamism, regions and communities pursuing coordinated economic development will benefit from having a party or parties that have ownership of the effort from its beginning and can sustain ownership and leadership over time. This “ownership entity” will be able to monitor the progress of the overall initiative, identify significant trouble spots or threats, and bring interests together to galvanize direct responses in order to help ensure that it doesn’t fail outright. The public sector can play this “ownership entity” role but, as noted above, the public sector’s engagement can wax and wane as broader economic and political environments evolve.

Thus, a preferred structure is one in which this ownership entity extends beyond the public sector to include members representing the broader civic network. Recent examples of such collaboratives exist in New Orleans, Cleveland, and Chicago. These offer the opportunity for an influx of resources (somewhat) independent of public fiscal realities and diverse ideas informed from experiences beyond just the public sector.

Given this overall structure, there are several important elements to successful resilient economic development that I would like to focus the remainder of this discussion upon:

- self-awareness, both of weaknesses and opportunities; [sober, porter]
- coherent institutional structure, such that a coherent collaborative can be constructed; [know existing strong organizations, this is NRI as well] and
- creative strategies that establish new partnerships that introduce new energy and resources to the economic dynamic access to resources and organizations that can help spark the needed private sector activities. [help from third party orgs, new partners]
Emerging from this discussion is a set of recommendations for regions and communities considering pursuing resilient economic development.

**Self-Awareness**

“We admitted we were powerless over our addiction – that our lives had become unmanageable.” Step 1 of the Original 12-Step program (Alcoholics Anonymous, 2001)

A basic tenet of all self-help programs is that, before healing, recovery, and restoration can take place, one must first recognize that there is a problem that warrants attention and help. One can view economic development initiatives as a form of self-help, as the region or neighborhood is seeking to improve its position and evolve into something stronger and more sustained. If one takes this view, then an essential element of economic development is self-awareness.

In recent instances, we have observed self-awareness among municipal leaders, which has prompted difficult and necessary conversations. Upon taking office, in a sober assessment of Detroit’s fiscal condition, Mayor Dave Bing declared that the city could no longer continue to provide services to all neighborhoods, especially those that had lost considerable population (Angel, 2012). Similarly, as Executive Director of Recovery Management for the City of New Orleans, Ed Blakely argued that New Orleans has social, infrastructure, and economic challenges that made it difficult for wholesale economic development in the wake of Hurricane Katrina (Nossiter, 2007).

In addition to facilitating problem recognition, self-awareness can afford economic development coalitions with a perspective that facilitates preparation and prompt response to changing economic conditions and realities. It allows for ongoing analysis of trends to identify opportunities and risks facing neighborhoods, cities, and regions and quick real-time – or even proactive – responses to them. Even if needs are not extreme or acute, an analytical lens can equip regions with an ability to hone in on problems or potential threats or opportunities and act to face them directly.

A key to being resilient is being cognizant of local and regional strengths and weaknesses. Self-awareness is a hallmark for success in many aspects of personal life, but it is less often emphasized in the context of developing strategies for success in more collective contexts. However, it is no less important. This has been demonstrated in many contexts. At the regional level, this can be seen in targeted investments spearheaded by local and regional leaders. Los Angeles has invested heavily over the past decades in infrastructure to improve the efficiency and lower the cost of goods movement. In the 1970s, Mayor Bradley and other civic leaders understood that commerce, trade and goods movement were an important part of Los Angeles’ economy and likely to become more so with the appropriate investments. Hence they championed deepening of the port to accommodate the new and larger ships that were becoming the standard in shipping, expanding of the Alameda Corridor connection between the port and key railyards that bring goods to interior markets, and redevelop the airport to capture a burgeoning freight and people transport demand (Erie, 2004).

The approach here is the same as that espoused by Michael Porter and put into action via the Initiative for a Competitive Inner City. ICIC’s mission is to “drive economic prosperity in America’s inner cities through private sector investment to create jobs, income, and wealth for local residents” (www.icic.org). Their approach is to identify local comparative advantages – that is, build awareness of local opportunities – and support community strategies and organizations that leverage them.
The power of self-awareness holds regardless of the broader fiscal condition in which a jurisdiction or region finds itself. However, if the public sector is the sole resource to be deployed, public fiscal conditions will impact – and limit – the set of responses that can be embarked upon. Indeed, in some circumstances, fiscal weakness can take certain types of interventions off the table completely, thereby limiting the set of tools that can effect change and the probability of short- and long-run success. This suggests long-term economic success will depend on supplemental support, which is the focus of the next two necessary characteristics.

Coherent Organizational Structure

Given the seeming inevitability of the cyclicality of public sector support for economic development activities, one must necessarily turn to other sectors and organizations in order to have a more diversified support base. The task then becomes one of identifying the needed partners for a broad-based coalitions and determining which of those is strong enough to make meaningful contributions. Partners must represent the broad range of sectors that will need to be involved. Experts and leaders along at least five dimensions must be present: finance and banking, community-based organizations, business, political representatives, and conveners and translators. Ultimately, the set of players will derive from the prevailing theory of change in the region or community – all who can contribute to driving the growth and change as envisioned in the overarching strategy should be sought out for inclusion in the coalition.

The conveners and translators, comprising academics, foundations, and others, are important, as they often have independent relationships with many sectors and can serve as a bridge between them. Translation is an especially important role, as those in the various categories use different language to describe the same situation with the result being that factions talk past each other rather than to each other. These translators can act as bridge-builders and connective tissue to make sure that there are open lines of communication and that all parties understand each other’s perspectives and views.

In addition to having a diverse set of interests represented in economic development plans and efforts, these interests must have adequate skills to develop good strategies and execute them. Implementation is an essential element of any policy and, as noted above, implementation problems can be a major impediment. Communities need to make sure they don’t hamstring themselves by empowering people and organizations in key central positions who are unprepared or unable to fully and effectively embrace those roles. This is clearly a concern regarding economic development at more local levels (i.e., cities and neighborhoods), where public agencies and some leading community-based organizations lack training and the scale required to effectively advance plans. As a general matter, capacity must be assessed and steps taken to expand it for those with key roles who fall short. This is one motivation behind the SC2 and OneCPD programs that have recently been put in place. Both are predicated on the reality that public sector agencies often have too few people who have the requisite skills to execute sometimes sophisticated strategies for making progress.

All regions and communities already have some pieces in place that can be a springboard for establishing an organizational structure that can be the basis for a sustained economic development strategy. Chambers of Commerce, community-based consortia, and public commissions all bring together interests that can contribute to the broader effort. These groups should be approached, common interests identified, and ways to work together agreed upon. Existing relationships and partnerships can be particularly important in this regard, as they can validate the economic development concept and be vehicles to advance bold vision. But initial efforts may also be modest. If these groups do not have a history of working together, trust must be developed first. Once established over time, this trust can then be leveraged to pursue more ambitious objectives.
Ultimately, the existence of a coherent organizational structure has vital internal and external value. Internally, it allows for a focusing of resources and a potentially more efficient pursuit of strategy, while also establishing an infrastructure that can endure over time and provide stability that can weather fluctuations in public sector resource capacity. Externally, it can serve as a signal to potential allies outside the region or community, and help spark the deployment of private capital by external investors who might see the more formal structures as reducing the risks associated with such investment. An infusion of private capital is critical. Economic development, even in the short run, can not thrive without it.

Supplementing this institutional structure must be personal leadership and a capacity to build enduring public consensus. The experiences following the flashes of self-awareness in Detroit and New Orleans (and elsewhere) demonstrate that self-awareness among the leadership alone is a necessary but not sufficient condition. Significant proportions of the electorate must concur and be willing to incur some costs, if they arise. Mayor Bing’s proposals have faced considerable challenges from many fronts (Helms, 2012). Blakely resigned after a tumultuous tenure during which few of his proposed plans moved forward, in part a result of his sometimes abrasive style and in part because of a lack implementation capacity in his organizational leadership (Grace, 2009). In both cases, parties that would incur sometimes significant costs balked at the suggestions, and solutions could not be found to assuage their concerns. In both cases, progress has slowed as resource deployment was either delayed (New Orleans) or not possible (Detroit, since resources were not freed up).

Creative strategies

High quality information and functional institutions are clear pre-requisites for successful resilient economic development. However, these might not be sufficient, especially in times of weak public fiscal capacity. Indeed, public sector weakness might undermine key strategies being pursued, particularly if the strategies rely on traditional relationships and governmental programs. As resources for such programs are reduced, the viability of these strategies may be called into question, and the entire initiative will be at risk. In the face of such a reality, one approach to increase resilience is to diversify the program’s support base by incorporating non-traditional partners. In nearly every context, there are potential partners who have similar goals and objectives but are not present in the institutional coalitions, sometimes for historical, programmatic, or other reasons.

Consider housing. For years, housing has been the domain of affordable housing developers, advocates for lower-income families and the homeless, and the fair housing and civil rights communities. Yet a growing body of evidence is making clear that housing success contributes to improved physical and mental health outcomes, better attendance and performance in schools, reduced interaction with the justice system, more sustained work attachment, and neighborhood stability, among other positive associations. This suggests that health-related, education, criminal justice, labor and employment, and community development professionals should be natural allies in supporting the provision of high quality affordable housing. As allies, they may be able to contribute funds to support its development, or devise new ways to support its production. In building a comprehensive sustained affordable housing policy, then, it might be advantageous to incorporate these potential partnerships as strategic opportunity areas that can diversify the base and reduce volatility as conditions change.

We are observing movements in this direction at the federal level. The Obama Administration’s aforementioned Neighborhood Revitalization Initiative Housing is a collaboration of agencies with a limited history of significant agency-level cooperation. Similarly, new collaborations between HUD and the Departments of Health and Human Services and Housing and Urban Development as well as between
the Department of Transportation, HUD and the Environmental Protection Agency demonstrate a new commitment to this approach. One must hope that the efforts at the federal level – and the resources these efforts bring to the table – serve as a model that gets replicated at the state, regional, and local levels, so that myriad new partnerships can thrive and support sustained economic development. Grantees associated with all of these programs represent a first wave that hopefully establishes a new development model.

This sort of creativity need not be applied only in the context of public agencies. The net for collaboration and coordination should be cast widely and embraced at a more organic level that goes beyond institutional relationships. Actors from other sectors are increasingly playing a leading role in providing services and driving policy. Perhaps these non-profit, for-profit, and philanthropic entities can be molded into stable and sustained organizational forces that can drive economic development efforts independent of the abundance of public resources. These partnerships exist in Baltimore, Cleveland and Detroit, for example, where foundations have joined with local community-based organizations to pursue innovative economic development programs. Similarly, local entrepreneurs should be recognized as potential key contributors to economic development initiatives, and means for more fully incorporating them should be explored.

Finally, it is important to understand that the opportunity for broadening such coalitions in times of fiscal stress is perhaps at its strongest. Fiscal stress is not generally localized to a single sector. Stress in one area usually corresponds with stress in others. The partners the economic development strategist will be seeking out are likely to be looking for new partners as well. Win-win solutions will be in great demand and more possible.

**Concluding Thoughts**

Economic development is hard. Many years of experience have revealed many difficult hurdles that regions and communities must overcome in order to show successful economic development. Economic development is much harder when public sources for funding are reduced, or at a minimum in flux. Because of its long gestation period, economic development efforts require sustained and continuous engagement, something that is threatened when public fund availability is cyclical. Effective resilient economic development requires, at a minimum, self-awareness, institutional coherence, and a broad base of allies and partners who have been creatively convened. A bit of good fortune will help as well.

One can only hope that generalizable models of sustained and resilient economic development emerge out of the experiences of and responses to the Great Recession – a crisis is a terrible thing to waste – and those participating in the many federal efforts that are on-going in this area. If so, there is hope that many regions and communities that have fallen behind will find a pathway to increased prosperity and well-being.
REFERENCES


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