

Driving Forces behind Economic Development in Rural Areas

- ❖ **Globalization of markets**
- ❖ **Factory Closings**
- ❖ **Fiscal crisis in state and local governments**
- ❖ **Exodus of young talent**

Globalization

- ❑ Mainstays of the rural economy- agriculture commodities and industrial commodities-can be accessed throughout the globe
- ❑ Forces commodity firms to be the low cost producer

Globalization Response

- Agriculture and industry producers respond by consolidating-more economies of scale
- Economic Strategies are becoming more regional in scope

The New Economy is the Knowledge Economy

- **The power of growth comes from people's ability to combine education, experience and ingenuity.**
- **Entrepreneurs transform knowledge into new technologies, products and services...bring them to the marketplace.**
- **In the 1990's, high-knowledge industries grew 4.4% faster than all others.**
- **In 2001, average annual wage in high-knowledge industries was more than \$50k, more than double the average in other occupations.**

Knowledge Economy Demands Higher Skills, On-going Training

- ❖ **80% of the 23 million jobs to be created in the next 10 years will require some post secondary education.**
- ❖ **40% of employers believe their employees current skills meet current job requirements**
- ❖ **Drops to 31% when project out just 2 years.**
- ❖ **Strongest need in manufacturing sector.**

Balance Sheet of Liabilities and Assets for Polk and Burnett Counties

LIABILITIES

- o Low population density
- o Remoteness from urban area
- o Past dependence on resource extraction
- o **Weaknesses in infrastructure**

ASSETS

- ✓ Quality of life, place
- ✓ Natural resources
- ✓ Culture of entrepreneurship
- ✓ Diversity of industries
- ✓ Education system

Leading Economist on Rural Economic Development Performance and Policy

- Mark Drabenscott

Center for the Study of Rural America, Federal Reserve Bank of Kansas City, *Top ten Things to Reinvent Your Region's Economy*, presentation 2004.

Best Practices

Recommended by Leading Economists

❖ **Focus on your region's uniqueness, core competitive niches.**

- **Each region is different**
- ***It is crucial to sell products or services to other regions-Export out of the region***
- **Focus on resource-based products; e.g. agriculture, timber, minerals or energy**

Base Economy includes 2 Different Kinds of Industries

1) Resource Dependent Industries

- ❑ **Located near natural resources**
- ❑ **Serve domestic and international markets**
- ❑ **62% located in rural areas**
- ❑ **Higher wages, but shrinking**
- ❑ **Here: Agriculture and Timber**
- ❑ **Can evolve and lead to innovation**

Trade Based Industries

- ❑ **Sell products and services across regions, international**
- ❑ **Can locate anywhere, choose location based on broader competitive considerations**
- ❑ **DRIVERS: Disproportionate influence on regional prosperity, economic growth, wages**
- ❑ **Higher productivity, higher productivity growth, higher average wages than support/local industries**

Best Practices

Recommended by Leading Economists

❖ **Support, stimulate your industry clusters**

- **Critical mass for tapping markets**
- ***Synergies in adapting technology, training workers***
- **Especially important for knowledge industries**
- ***Collaborative networks of entrepreneurs and resources overcome remoteness***
- **Understand competitive forces on traded industries**

Best Practices

Recommended by Leading Economists

❖ **Grow the farm system, instead of buying free agents.**

- **Industrial recruiting is expensive and does not work in a global economy**
- ***High growth entrepreneurs = local roots, local wealth, local jobs***
- **Entrepreneurs need great coaches, lots of support**

Best Practices Recommended by Leading Economists

❖ Invest in your people

- **Leaders make the difference**
- ***Train for the 21st Century...upgrade skills of existing workforce***
- **Encourage lifelong learning**
- **Increase educational attainment... *“1% increase in educational attainment [BA] translated into a .84% rise in concentration of high-knowledge occupations.”***
- **Encourage immigration**

Best Practices

Recommended by Leading Economists

❖ **Work regionally.**

- **Create a “home” for institutional partnership...work win/win**
- ***Reinvent “regional governance”...make decisions as a region, not just independent jurisdictions***
- **Align efforts of government, private sector, universities and other institutions for more rapid regional economic development**
- ***Encourage bottom-up, community based planning and policy development***

Best Practices Recommended by Leading Economists

❖ **Foster entrepreneurship.**

- **High quality training, great coaches**
- ***Niche markets for agriculture, manufacturing***
- **High-skill service industries**
- ***Research supports industries, innovation, new business start up***
- **Roundtables to share experience**

Best Practices

Recommended by Leading Economists

❖ **Enrich the region's supply of equity capital.**

- **Find ways to invest more of the region's \$ inside the region**
- ***Explore public/private funding opportunities***

Best Practices

Recommended by Leading Economists

❖ **Build 21st Century Infrastructure**

- **Broadband**
- ***Amenities for Quality of Life***
- **Good schools**
- ***Airport***

Best Practices

Recommended by Leading Economists

❖ **Improve and leverage local amenities.**

- **Scenery**
- ***Water recreation***
- **Cultural and historical sites, stories**
- ***Regional foods, tourism***

Economists on Assets of Rural Areas

“Rural counties with higher levels of natural amenities associated with topography and water had higher shares of high-knowledge occupations... [the amount] was not found to be significantly related to the presence of an interstate... new forms of infrastructure, such as broadband access, may be critical.”



-Henderson & Abraham, Federal Reserve Bank of Kansas City

Economists on Assets of Rural Areas

“People in technology businesses are drawn to places known for diversity of thought and open-mindedness.” -Richard Florida, PhD



“Rural environments should be preserved to attract and retain people...policies to improve human capital in rural areas are essential.”

-Michael Porter, PhD

Group Discussion

What are the implications of this information?