Economic Development: Myths and Reality in Southcentral Kansas

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Three Myths

• Economic growth and economic development are the same thing
• Kansas is well-positioned to compete in the global economy
• There is no role for economic development incentives in economic development

Growth and Economic Development

• All economic development involves economic growth, but not all economic growth is economic development
• Economic development is focused on the quality of life in the community and meeting the needs of the people for good jobs and a good future for their children
• Raw economic growth can degrade the community and make it a very bad place to live
**Role of Government**

- Focus on the needs of the people we serve so that economic development addresses their needs and concerns.

  Create and sustain public policy and public investments that **DO NOT** pick “winners and losers” but that position the community to compete in the market.

- Make primary investments in support for existing clusters of innovation.

**Kansas Competitiveness**

- Global competitiveness is based on the willingness of businesses to locate or expand in your community.

- Competitiveness is a mix of factors including geographic location, natural resources, institutional effectiveness, quality of life, community interest and values.

- How do we stack up?

**SBIR/STTR Awards 1983-present**

- Kansas 297
- California 22,588
- Massachusetts 14,792
- Texas 4,422
- States of Similar Size
  - Iowa 270
  - Arkansas 308
  - Mississippi 162
  - Nevada 273
  - Utah 1,189

**But...smaller states can do well**

- Delaware 460
- Maine 317
- Montana 421
- Vermont 284
Patents

- Kansas ranks 29th in patents per thousand people; Oklahoma is 23rd and Texas is 24th
- The large new economy drivers are Massachusetts (ranked 4th) and California (ranked 8th)
- Delaware, Connecticut, and New Jersey are ranked 1 through 3 respectively

Other Indicators

- Gross State Product per capita 33rd
- Massachusetts 5th; California 12th; Texas 22nd
- Percent below poverty 39th
- Massachusetts 44th; California 20th; Texas 8th

How do we stack up

- Key indicators show that we are at best “average” given our size and location; Utah took a different position and is more competitive
- We no longer are true to our “entrepreneurial past” and our expressed values regarding innovation and entrepreneurship
- We have not made substantial infrastructure investments that promote New Economy competitiveness that will drive future income

Other Indicators

- Best educated:
  - Kansas 13th; Massachusetts 3rd; California 46th; Texas 24th
- Percent College Educated:
  - Kansas 25th; Massachusetts 2nd; California 11th; Texas 35th
- Overall Tax Burden:
  - Kansas 28th; Massachusetts 7th; California 9th; Texas 50th
Examples

- Ubiquitous broadband
- Incubators for technology
  Substantial investments in new academic enterprises that link to the state’s and region’s key clusters of innovation
- Strong support for business R&D in the state

Business Recruitment Incentives

- “With few exceptions, incentives will not effectively influence firm location decisions.
- The truly important factors in business location decisions are transportation considerations, labor quality, and markets.
- The best way for government to influence firm location is to create and sustain quality communities"

Key Business Location Factors

1. Access to markets
2. An educated, skilled work force
3. Ready, affordable sites
4. High quality infrastructure and amenities
5. Access to capital
6. Cooperative/pro-business attitude
7. Quality of life

Economic Incentives

- Incentives have generally been available to individual companies
  These create market distortion; create losers as well as winners; and are ineffective over the long-run
- Very few net new jobs come from business incentives and, as we have learned from Boeing, they often do not achieve desired objectives
Best overall approach to Economic Development: Building Indigenous Clusters

- Businesses in clusters have already chosen your area
- Easier to fill-in, grow, and sustain clusters than to create new ones
- Clusters link to other regions and areas
- Building new businesses within clusters easier than generally starting new businesses
- In Southcentral Kansas, key clusters account for 70 percent of total regional GDP

Incentives

- Build economic incentives that affect a whole cluster rather than an individual business
- Do not invest in random recruitment but only in recruitment that might be necessary to enhance the competitiveness of a key cluster
- Make community investments that enhance the ability of enterprises in a cluster to compete
- Focus on clusters that bring greatest return

Effective Economic Innovation Based in Clusters

Clusters- Existing
- Aviation
- Oil & Gas Production & Transportation
- Heavy Machinery & Metals (excludes aircraft)

Clusters- Emerging & Growing
- Agriculture Inputs & Processing
- Transportation & Logistics
- Data Systems
- Advanced Materials: Composites, Metal Alloys, Plastics, Soy Polymers
WSU, Innovation and Clusters

- Recent BREG study highlighted key developments needed from WSU
- Requesting funding to assist with developing a program in chemical and materials engineering
- Need program in supply chain management
- Focus on recruiting and developing relationships with businesses that fit within the identified clusters
- Looking carefully at relationship with WATC

Innovation Campus Update

- Two buildings under construction
- Search for overall developer for commercial zone did not produce results. Breaking down development into smaller, specific projects
  - Mixed land use
  - Hotel
  - Coffee shop
  - Retailer/destination retailer
- Exploring community partnership in recreation
- Exploring new programming to tie to needs of community

Innovations

- Starting “badge programs”
- Expanding distance education
- Seeking “market-based tuition” for business and other partners
- Seeking special tuition for key trading metropolitan areas starting with major areas in Oklahoma
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