STRUCTURAL ECONOMIC DEVELOPMENT

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Economic growth is not economic development. When we mistake growth for development, we confuse activity with progress. Imagine a cyclist boasting of his morning rides at sustained speeds in excess of 35 mph. It sounds impressive until we learn that he rides on the well-known section of I-40 in North Carolina eastbound from Black Mountain to Old Fort. It's all down hill.

Growth, like speed, is one possible measure but certainly doesn't tell the whole story. The economic pictures that get painted by popular growth measures, such as gross domestic product (GDP) and job creation, are too narrowly framed. What happens when we broaden our perspective to include the realization that economic growth is just one possible outcome?

Considerable research and thinking has explored what it means to view economic development in terms of the bigger picture. It's not just academics taking this position. The International Economic Development Council (IEDC) identifies the main goal of economic development as "improving the economic well being of a community…." in its definition of practice.

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Yet in many communities and regions across the U.S., true potential for systemic economic improvement and sustainable progress is not met. Well-intentioned leaders and practitioners alike find themselves caught in a trap of short-sighted metrics, and "wins" that are easy to communicate although not particularly sustainable or significant.

In such communities, we can demonstrate that the job creation speedometer may be spinning forward but broader measures of economic prosperity are rolling down the slope.

Let's consider Florida as an example. The United Way of Florida's ALICE Report released on November 11 of this year that revealed 45 percent of all households in Florida are struggling to make ends meet. Five months earlier, the Information Technology and Innovation Foundation (ITIF) released its bi-annual rankings of how states and regions are performing across 25 indicators in five categories: knowledge jobs, globalization, economic dynamism, the digital economy and innovation capacity. Florida fell from its perch at 21 in 2012 down to 25 in 2014.

In February of this year, the LeRoy Collins Institute issued, "Tougher Choices," and warned that Florida's reliance on the continued growth of our retiree population and tourists comes at a price. Revenue from folks in their golden years and sun-seeking visitors does indeed induce job creation. However, the Collins Institute report demonstrates that the occupations "are disproportionately linked to lower-paid service jobs" as part of a dangerous labor market "polarization" that only seems to be self-reinforcing. Polarization calls attention to wage growth realized at either end—low and high—with the middle class falling out of the picture like a sink hole.

Job creation is hardly a bad thing. It's quite necessary. But for what?

Politically speaking, job creation is certainly an expectation of the voters. When unemployment rates rise, we blame government and those at its helm. Exaggerated focus on this measure, however, has masked the larger objectives of prosperity and quality of life that job creation is supposed to foster. Recall Ronald Reagan's effective campaign question, "Are you better off than you were four years ago?" He didn't ask, "do you have a job?"

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> *United Way of Florida 2014 ALICE Report*

We must consider the qualitative nature of jobs again. Economic developers already understand this. You hear it when job goals are described as "high wage." Creating better paying jobs means diversifying the economy. In other words, economic goals explicitly include shifting the mix of jobs created to lessen the dependency on a few dominant industries. Yet economic diversification has proven elusive.

Florida falls from 21 to 25 in bi-annual ranking of knowledge jobs, globalization, economic dynamism, digital economy, and innovation capacity

Information Technology and Innovation Foundation

Returning to Florida as an example, leisure and hospitality workers in the Sunshine State made up 11.1 percent of the total non-agriculture employment base in October 2004. Ten years later it stood at 13.8 percent. Worse yet, the wages paid to the one million workers in Florida's tourism industry are not keeping pace with the rate of inflation. Comparing 2005 and 2013 employment data illustrates that Florida's average tourism industry worker made $362 less per year than she did eight years ago. This will be a difficult pattern to break.

Working against what economists call "path dependency" Florida's historical success in land development, agriculture, and tourism creates a great deal of inertia along the same trajectory. Today, we consider this the legacy "Big-Three Economy" for the Sunshine State. More than 100 years ago Governor Napoleon Bonaparte Broward and the Florida Legislature launched what may be considered the state's first state promotion campaign with the plan to drain the Everglades. The potential availability of Everglades "land" followed early development moves by Hamilton Disston and Henry Flagler and brought forth such key historical figures as Karl Albritton, Nathan Mayo, Irlo Bronson, Walt Disney along with countless others who set Florida's "Big-Three Economy" on its course.

As further evidence that the dominance of Florida's Big-Three industries has returned, fast forward to recent announcements that the state is approaching another consecutive year of record tourist activity along with the addition of nearly 33,000 jobs. The U.S. Census' 2013 State-to-State Migration Flows report estimates Florida gained new residents from other states at a rate of 1,450 per day. Of those moving to the Sarasota and Bradenton areas, for example, 28.4 and 21.8 percent of those new residents are retirees, respectively. And the state's November jobs announcement reported construction is the fastest growing industry over the past 12 months at 10.2 percent.

That's a lot of Big-Three momentum—but it's rolling in the wrong direction.

With political breathing room created by the low unemployment rate, there has never been a better time to deliberately explore what it means to pursue structural economic development.

Growth, whether measured in jobs or productivity gains, is only one economic outcome. Development is a deliberate effort to change the current structure of a state or regional economy to realize broader benefits in terms of quality of life. New and evolved strategies are necessary to pursue goals whose progress is reflected in measures of sustainable prosperity. Such an expanded view of economic development holds considerable promise—not the least of which is the return of the middle class whose spending power and civic activism are necessary for a prosperous and sustainable society. It's time to pedal up hill.