Building Prosperous Regions: What Works
Presented at
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Mark Partridge
Swank Professor in Rural-Urban Policy
The Ohio State University
http://aede.osu.edu/programs/Swank/
1. Today’s moral is that the best strategy is leveraging the assets inside your region.

2. Three assets I will stress:
   - Working collaboratively as a region.
   - Your people and your businesses.
   - Provide the right incentives, knowledge and skills for them to thrive.

3. Leverage existing regional organizations to create the right local environment.
4. Focus on attracting the right people and less on attracting (“bribing”) outside firms.

- Trying to lure outside firms with incentives and subsidies are typically ineffective. (Partridge and Olfert, 2011; Goetz et al., 2011).
- Make it that outside firms want to come to your great region.
- I am not ruling out good marketing of your region.
Outline: Building Prosperous Regions

• SIMPLE STRATEGY! Be patient and build from within while leveraging local and regional assets.
How can Saskatchewan’s regions successfully compete globally?

• 1. Enhancing critical mass by working together in existing functional economic regions.
• 2. Education and entrepreneurship are local forces that promote prosperity and resilience.
• I will take each in turn.
Good Strategy: Leverage Regional Strength?

Recognize rural-urban interdependencies

- In 1950, communities detached from neighbors
- 21st Century communities are linked in webs
  - Growth spreads out a hundred of miles from a city as small as 30,000.
  - Source: Partridge et al., 2007
- If someone can commute, they shop, utilize health care, participate in service organizations, etc.
- Regions share common interests and the gains should be exploited regionally.
Emerging City-Centred Regions

• How did these regions arise?
• Beginning just before WW II, labour saving productivity growth in agriculture began to greatly reduce the agricultural labour that then needed alternative work.
  – Many moved to the city.
• But with widespread use of the automobile, rural to urban commuting began in earnest. This altered how people consumed private and public services.
The 1950-2003 Expansion of the Atlanta Metropolitan Statistical Area, Georgia

Source: U.S. Census Bureau. And Partridge and Olfert, 2011
The 1950-2003 Expansion of the Columbus Metropolitan Statistical Area, Ohio

Source: U.S. Census Bureau. And Partridge and Olfert, 2011
The 1950-2003 Expansion of the Des Moines Metropolitan Statistical Area, Iowa

Source: U.S. Census Bureau. And Partridge and Olfert, 2011
The Urbanization Intensity in Four MSAs, Evolution 1950-2009

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Atlanta, 2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Urban</td>
<td>98.92</td>
<td>83.16</td>
<td>42.53</td>
<td>86.16</td>
</tr>
<tr>
<td>% Nonfarm Rural</td>
<td>1.06</td>
<td>16.63</td>
<td>56.12</td>
<td>13.59</td>
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<tr>
<td>% Rural Farm</td>
<td>0.02</td>
<td>0.22</td>
<td>1.34</td>
<td>0.25</td>
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<tr>
<td><strong>Columbus</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>% Urban</td>
<td>98.16</td>
<td>61.16</td>
<td>49.51</td>
<td>84.11</td>
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<tr>
<td>% Nonfarm Rural</td>
<td>1.78</td>
<td>36.75</td>
<td>47.40</td>
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<tr>
<td>% Rural Farm</td>
<td>0.06</td>
<td>2.08</td>
<td>3.09</td>
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<tr>
<td><strong>Des Moines</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Urban</td>
<td>94.20</td>
<td>58.55</td>
<td>39.83</td>
<td>83.72</td>
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<tr>
<td>% Nonfarm Rural</td>
<td>5.35</td>
<td>36.39</td>
<td>52.75</td>
<td>14.49</td>
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<tr>
<td>% Rural Farm</td>
<td>0.45</td>
<td>5.06</td>
<td>7.42</td>
<td>1.80</td>
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</tbody>
</table>

Source: U.S. Census Bureau. And Partridge and Olfert, 2011
1981 Percent of Local Labour Force Commuting to Regina CA—CCS Level Data

Percent Commuting to Regina CMA
- 0.0 - 1.0
- 1.1 - 5.0
- 5.1 - 15.0
- 15.1 - 25.0
- 25.1 - 50.0
- 50.1 - 75.0
- 75.1 - 100.0
- City of Regina

Regina CMA
- CAs in the Regina Region
- 50km Radius
- 100km Radius
- 150km Radius

Highways
- Major Cities in AB, SK & MB

Water

Percent Commuting to the Regina CMA - 1981
2001 Percent of Local Labour Force Commuting to Regina CA—CCS Level Data

Percent Commuting to Regina CMA
- 0.0 - 1.0
- 1.1 - 5.0
- 5.1 - 15.0
- 15.1 - 25.0
- 25.1 - 50.0
- 50.1 - 75.0
- 75.1 - 100.0

City of Regina
Regina CMA
CAAs in the Regina Region
50km Radius
100km Radius
150km Radius
Highways
Major Cities in AB, SK & MB
Water

Percent Commuting to the Regina CMA - 2001
Western Canada’s Engines of Growth
2001-2006 Population Growth

An Engine of Growth is defined as a metropolitan area with at least 500,000 population. Saskatoon is one “contender” Engine of Growth.
An Engine of Growth is defined as a metropolitan area with at least 500,000 population. Halifax is one “contender” Engine of Growth.
## Trade Center Hierarchy Evolution, Saskatchewan, Canada 1961-2001

<table>
<thead>
<tr>
<th>Trade Center Classification</th>
<th>1961</th>
<th>1981</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Wholesale Retail</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Secondary Wholesale Retail</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Complete Shopping Centers</td>
<td>29</td>
<td>22</td>
<td>8</td>
</tr>
<tr>
<td>Partial Shopping Centers</td>
<td>99</td>
<td>30</td>
<td>6</td>
</tr>
<tr>
<td>Full Convenience Centers</td>
<td>189</td>
<td>136</td>
<td>72</td>
</tr>
<tr>
<td>Minimum Convenience Centers</td>
<td>271</td>
<td>400</td>
<td>502</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>598</strong></td>
<td><strong>598</strong></td>
<td><strong>598</strong></td>
</tr>
</tbody>
</table>

Figure 5.2: Average Annual Increase in Population, Saskatchewan Cities

- Saskatoon CMA: 2.2%
- Estevan CA*: 1.8%
- Regina CMA: 1.5%
- North Battleford CA*: 1.2%
- Swift Current CA: 1.2%
- Prince Albert CA: 0.9%
- Yorkton CA: 0.9%
- Moose Jaw CA: 0.6%
- Rural and smaller urban Saskatchewan: 0.7%
- Saskatchewan: 1.3%

* The actual 2006 to 2011 increase was 3.1% for Estevan and 1.6% for North Battleford. The chart shows the figures adjusted for boundary changes.

Thanks to Doug Elliot and the JSGS project.
Figure 5.3: Average Annual Increase in Population, Interprovincial Comparison

- Calgary CMA: 2.4% (1996 to 2006), 2.4% (2006 to 2011)
- Edmonton CMA: 2.3% (1996 to 2006), 2.3% (2006 to 2011)
- Saskatoon CMA: 2.2% (1996 to 2006), 2.2% (2006 to 2011)
- Regina CMA: 1.5% (1996 to 2006), 1.5% (2006 to 2011)
- Winnipeg CMA: 1.0% (1996 to 2006), 1.0% (2006 to 2011)

Thanks to Doug Elliot and the JSGS project.
Is this the death of rural? NO!

- People worry that rural areas are doomed without outside intervention.
- However, nonfarm rural population is quite stable. Rural areas can prosper even if agriculture is smaller if they work collaboratively in their region.
- Rural populations are concentrating near urban centers.
% Canadian Urban, Rural Farm and Rural Nonfarm Population 1881-2001

Year


Rural Non-Farm Rural Farm Rural Urban
Figure 5.4: Average Annual Increase in Population, 2006 to 2011

<table>
<thead>
<tr>
<th>City Proper</th>
<th>Surrounding Metropolitan Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swift Current CA</td>
<td>4%</td>
</tr>
<tr>
<td>Saskatoon CMA</td>
<td>3%</td>
</tr>
<tr>
<td>Prince Albert CA</td>
<td>2%</td>
</tr>
<tr>
<td>Regina CMA</td>
<td>1%</td>
</tr>
<tr>
<td>North Battleford CA*</td>
<td>0%</td>
</tr>
<tr>
<td>Yorkton CA</td>
<td>2%</td>
</tr>
<tr>
<td>Estevan CA*</td>
<td>3%</td>
</tr>
<tr>
<td>Moose Jaw CA</td>
<td>1%</td>
</tr>
</tbody>
</table>

* adjusted for boundary changes

Thanks to Doug Elliot and the JSGS project.
What is happening in these city centred Regions?
<table>
<thead>
<tr>
<th>Rural Depends on Urban for:</th>
<th>Urban Depends on Rural for:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>Labor Force</td>
</tr>
<tr>
<td>Private and Public Services</td>
<td>Market for Private and Public Goods and Services</td>
</tr>
<tr>
<td>Urban Amenities</td>
<td>Market for Urban Amenities</td>
</tr>
<tr>
<td>Market for recreation activities</td>
<td>Recreation</td>
</tr>
<tr>
<td>Market for agriculture products</td>
<td>Food Safety and Security</td>
</tr>
<tr>
<td>Demand for Environmental Stewardship</td>
<td>Natural Environment</td>
</tr>
<tr>
<td>Property taxes/land market</td>
<td>Land for Residential and Industrial Expansion</td>
</tr>
</tbody>
</table>
Rural-Urban Shared Fates--cont

- Economists contend that gov’t jurisdictions should reflect common interests. Functional Economic Regions.
  - Economic development
  - Tax sharing of common economic gain to share costs
  - Environmental costs and sprawl
  - Infrastructure is inherently regional
Example of Action

• Regions that realize they are linked will have a competitive advantage in the global economy.
  – Lower taxes, better infrastructure, better public services, stronger economic development
  – Just being a little more competitive will shift capital from around the world at the click of a mouse.

• Regionalism is the real sleeping giant for rural communities for sustainability.
2. The Race for Knowledge and Building Smart Communities?

a) Individual earnings significantly rise with knowledge, skills, and education.
<table>
<thead>
<tr>
<th>Age groups</th>
<th>Less than high school</th>
<th>High school</th>
<th>Trades</th>
<th>College</th>
<th>University</th>
</tr>
</thead>
<tbody>
<tr>
<td>All age groups</td>
<td>20,833</td>
<td>28,038</td>
<td>34,670</td>
<td>36,785</td>
<td>57,495</td>
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<tr>
<td>20 to 24</td>
<td>14,882</td>
<td>14,288</td>
<td>20,371</td>
<td>16,581</td>
<td>15,037</td>
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<tr>
<td>25 to 29</td>
<td>21,826</td>
<td>25,231</td>
<td>28,728</td>
<td>29,312</td>
<td>32,974</td>
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<td>30 to 34</td>
<td>25,328</td>
<td>31,023</td>
<td>33,097</td>
<td>35,209</td>
<td>47,376</td>
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<td>35 to 39</td>
<td>27,795</td>
<td>34,743</td>
<td>35,830</td>
<td>39,698</td>
<td>58,624</td>
</tr>
<tr>
<td>40 to 44</td>
<td>29,779</td>
<td>37,030</td>
<td>38,600</td>
<td>44,182</td>
<td>68,990</td>
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<td>45 to 49</td>
<td>31,682</td>
<td>39,628</td>
<td>41,943</td>
<td>46,695</td>
<td>76,420</td>
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<td>50 to 54</td>
<td>31,401</td>
<td>39,597</td>
<td>42,101</td>
<td>46,769</td>
<td>78,320</td>
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<tr>
<td>55 to 59</td>
<td>28,805</td>
<td>35,932</td>
<td>38,578</td>
<td>42,273</td>
<td>72,277</td>
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<tr>
<td>60 to 64</td>
<td>24,868</td>
<td>29,031</td>
<td>31,448</td>
<td>33,629</td>
<td>64,233</td>
</tr>
</tbody>
</table>

b) This understates an individual’s gain to education as employment rates rise and unemployment rates fall with education.

Source: OECD, 2010.

– So they are more likely to work, and among those working, they are more likely to earn more.

– Educated workers suffer less in downturns in terms of unemployment—more resilient.
The Race for Knowledge and Building Smart Communities?

• Good for people, but what about communities?
• c) There are ‘social’ gains from greater education. People who work in areas with more education have higher earnings themselves
  – (Source: Moretti, 2004).
  – Knowledge spillovers.
• d) Places with a more educated population grow faster in terms of jobs and people.
  – (Source: Simon and Nardinelli, 2002; Glaeser and Shapiro, 2003)
    • Source: Partridge et al., 2007.
How Saskatchewan can win race for Knowledge.

• Saskatchewan’s colleges and universities can be the clearing house for local regional economic development.
  – Colleges already work on the regional scale that is necessary for coherent rural economic development. They unify regions.

• They can spearhead business training and provide incubators.
How Saskatchewan can win race for Knowledge?

21st Century will belong to places that use their knowledge to leverage their assets.

- Regions need to be attractive to knowledge workers and people in general
  - Quality of life, pleasant environment, sustainable development—this is good economics!
Good Strategies--cont

Business retention and expansion is better than tax incentives for outside investment. Building Entrepreneurship

• Small business and self employment are strongly associated with regional growth in Canada. (Partridge et al., 2007)
• They are an internal engine of entrepreneurship.
• Small businesses buy locally and they are less likely to move or outsource.
• Build a more diverse economy that is resilient to shocks (Partridge and Olfert, 2011).
• Innovation comes from small firms.
Good Strategies--cont

• Promote small business entrepreneurship by:
  • Business, Retention, and Expansion
    • Build networks and identify strengths and weaknesses in a community.
  • Treat all businesses alike.
  • If you build a good climate for investment, your own businesses will thrive and STAY!
Entrepreneurship

• Take advantage of farm entrepreneurship. Research has found a greater farm share is positively linked to nonfarm entrepreneurship. (Source: Stephans and Partridge, 2011).

• Today, farmers are good role models
  • 1. Tied to land—not outsourcing to China.
  • 2. Have experience managing medium sized business and has developed entrepreneurship.
  • 3. Understand futures markets, global markets, exchange rates, knows how to manage capital.
  • 4. Have financial wealth to invest.
What you don’t want to do!

• Don’t try to pick the next hot industry. Be sure hot industries/firms want to be in your community. e.g., Seattle 1978 and Microsoft.

  – Economists say that governments can’t pick winners but losers know how to pick governments.

• Don’t follow the latest fads—e.g., green jobs, innovation clusters, biotech, high-tech, alternative energy, etc etc....

\[ y = 1.40 - 6774x \]

\[ t_{stat} = -0.80 \]

\[ R^2 = 0.0128 \]
Reality Check

• No Guarantees!! Not all regions will succeed!
• Even doing the right things is not sufficient when conditions are unfavorable.
• Consequences of pursuing bad policies are high costs and it may prolong the ‘misery’ because people will be less likely to adjust by finding better opportunities.
No Silver Bullet
Conclusions

• Build from within your community as the best strategy for success.

• Leverage your broader regions to do things you can’t effectively do alone.

• Promote smart regions and local entrepreneurship.

• No sure plan!

• Future challenges are immense—but wise regions can make these manageable or turn them into opportunities.
Thank you

Presentation will be posted at The Ohio State University, AED Economics, Swank Program website:

Google Partridge Swank
Appendix Slides
Alberta Rural & Small Town--non CA/CMA,
2005

Percent of Total Employment

- % Agriculture
- % Other Primary
- % Manufacturing
Great diversity in rural America:

Job growth in 1990-2004 by county type

Percent growth

- Low/mid share in creative occupations
- High share in creative occupations

<table>
<thead>
<tr>
<th>Category</th>
<th>Percent Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro¹</td>
<td>30</td>
</tr>
<tr>
<td>Nonmetro¹</td>
<td>40</td>
</tr>
<tr>
<td>Nonmetro not adjacent to metro²</td>
<td>50</td>
</tr>
<tr>
<td>Nonmetro high-amenity county²</td>
<td>55</td>
</tr>
<tr>
<td>Nonmetro recreation county</td>
<td>55</td>
</tr>
<tr>
<td>Nonmetro recreation county</td>
<td>55</td>
</tr>
<tr>
<td>Nonmetro high share college</td>
<td>50</td>
</tr>
</tbody>
</table>

¹1993 Metro-Nonmetro Classification.
²Ranked in top quarter of all counties.

Source: Bureau of Economic Analysis, Regional Economic Information System files.
Conceptualizations of Competitiveness

The Porter Diamond Framework (Porter, 1998)
NCC Competitiveness Pyramid

Source: National Competitiveness Council
Wyoming: Alberta on Steroids!

- AB 1981-2004 population growth: 39.6%
- AB 1981 mining share: 7.13%
- WY 1981-2004 population growth: 3%
- WY 1981 mining share: 14.43%

WY’s greater natural resource intensity did not produce faster growth.