

# **Informing Regional Economic Development: A Fresh Look at University Partnerships**

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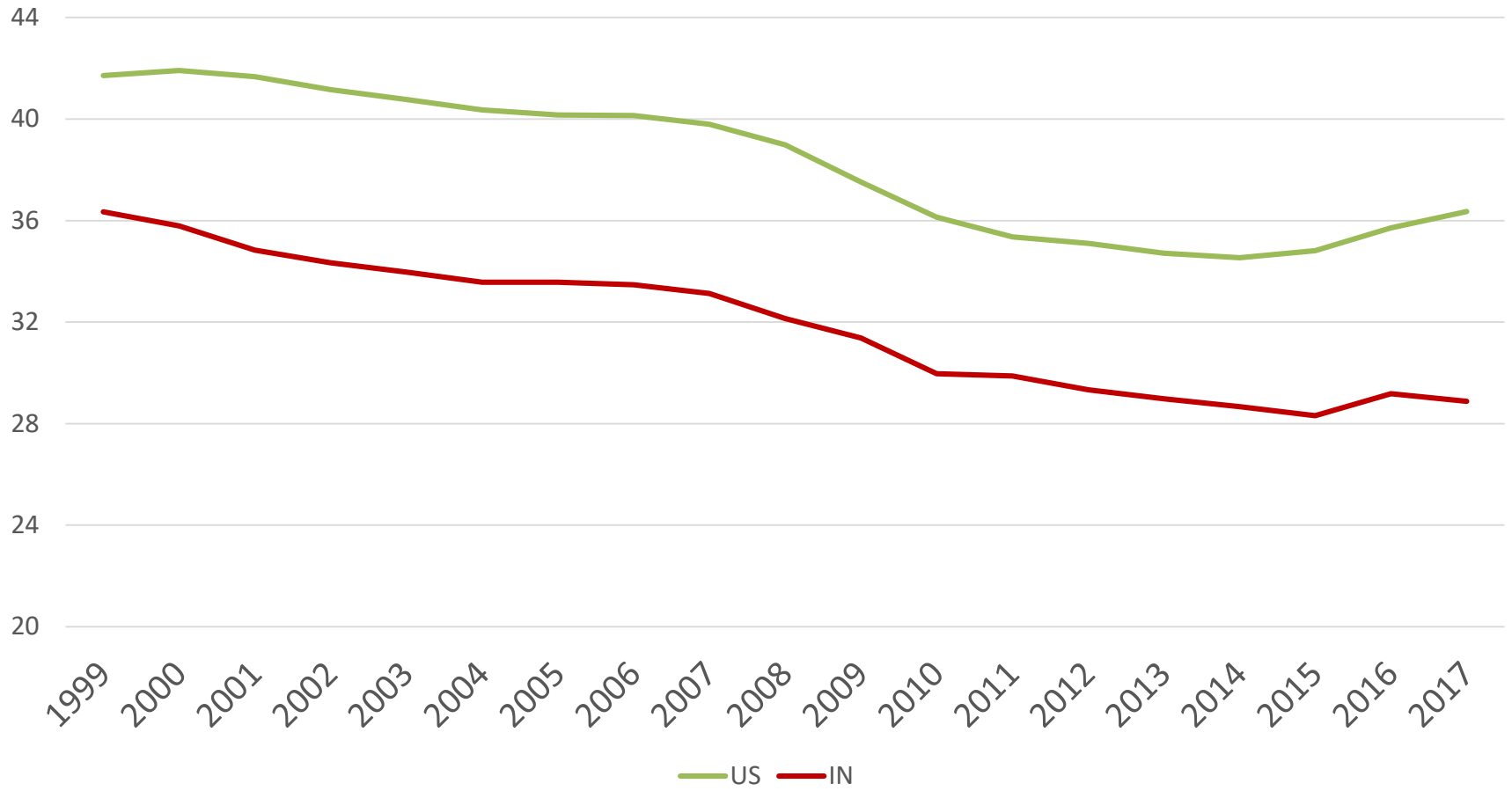
*Colorado State University*

# Introduction

- Regional economic growth largely shaped by entrepreneurship
  - Young small establishments responsible for majority of job growth
  - Average worker productivity growth near-zero in firms > 5 years
- Critical Precondition
  - Entrepreneurial efficiency requires full market information
- Unlikely in many local economic development contexts
  - Thicker Metro markets vs Thinner Micro and Rural activity
  - Federal Reserve's *Center for the Study of Rural America*
- Entrepreneurs face varying amount of information by location
  - Constrains investment, especially in frontier high-value activities

# Indiana's Young Business Gap

Percent of Establishments 5 Years and Under



# Information Imbalances

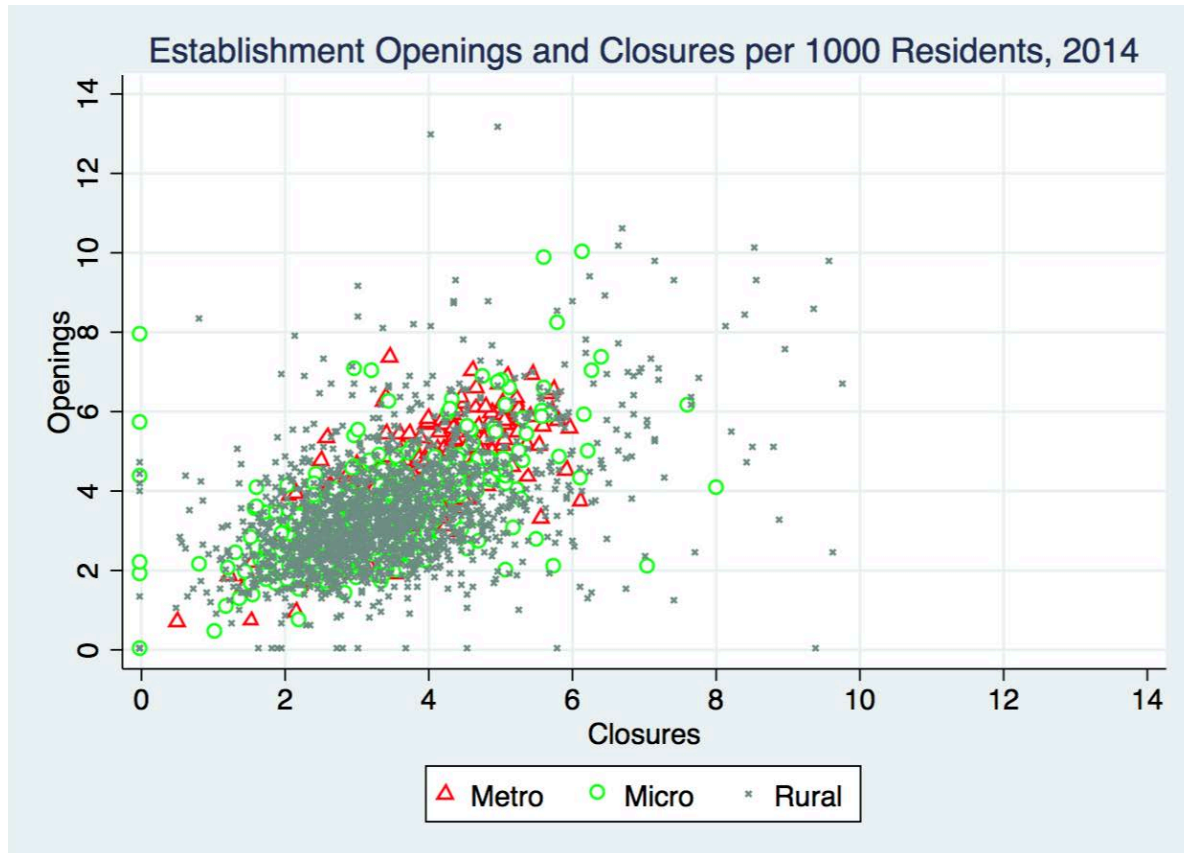
- **Information Imbalances cause markets to miss opportunities**
  - Akerlof's Classic Case: Buyers' reluctance in used car market
  - Lack of experience in lesser-tested markets deters good projects
- **University partnerships generally evaluated on a narrow basis**
  - Tech Transfers, Startups, Gazelles...
- **But the value of the university's broader missions hints at More**
  - Basic Research vs Product-specific Development
  - In the same spirit, university informational role is far broader
  - Highlight opportunities in neglected disadvantaged areas

# **Leveling the Informational Playing Field**

- **Identical projects & Identical success chances, yet seen differently**
  - Less activity means more uncertainty in thinner non-metro markets
  - Entrepreneurs, Investors, Creditors, and Insurance require risk premium
- **Reinforcing cycle, discouraging biz where it could contribute most**
  - Research: Poverty reduction, impact of credit, and job creation all higher
- **If Information is problem's source, Info itself can be targeted directly**
  - Universities well-placed to generate, synthesize, and share Information
- **Level informational playing field maximizes all regions' opportunities**

# Establishment Dynamism

Establishment births and deaths closely correlated, but overall dynamism varies widely across counties



# Entrepreneurship and Growth

- Areas vary in terms of dynamism
  - Low Births/Low Deaths v High Births/High Deaths
- Less dynamic economies seem attractive
  - Less risk, less uncertainty, less frictional jobless
- Recent research: Dynamism valuable
  - More innovation, testing market frontiers
  - Critically, long-term job growth stronger

# Research Informing Econ Devpt

- **Dynamism valuable on multiple levels**
  - Younger firms more productive, channeling innovations
  - Worker options, moving to younger nimbler firms
  - Job growth stronger over long-term
- **Why? Biz productivity depends on information**
  - Demand, availability of inputs, etc.
- **Where does this info come from?**
  - *Successes & Failures* of other entrepreneurial ventures
  - What Doesn't Work as important as What Does Work
  - Requires tolerance of Failures



# **Micropolitan Amenity Challenge**

- **Micro Quality-of-Life to attract/retain Talent**
  - **Creative Class E'ship attracted by urban amenities**
    - **Clusters of entertainment, food, and residential options**
  - **Entrepreneurs can spark (re)development cycle**
- **Research highlights First-Mover problem**
  - **Local market needs testing to understand viability**
    - **But no incentive to move first, rather wait for others**
  - **Neglected niches: \$20 bills on Sidewalks?**

# **Pioneering Problem and Implications**

- **Hickenlooper, Wynkoop, and LoDo Denver**
  - **“Pioneers get the arrows. The settlers get the land.”**
- **Market underprovides critical initial investments**
  - **Support for early entrants may have high payoffs**
- **Craft brewing industry as case study of Pioneers**
  - **Denver, but also smaller cities: Torrance, Flagstaff...**
  - **Often includes historical redevelopment legacy**

# Liquid Arts in Colorado

- **Colorado Microbrewing: Characterful National Reputation**
  - Malted Barley is most basic ingredient, yet shipped from afar
    - Quality consistency problems
    - Freight: 35%+ of total costs
- **CSU study**
  - Quantify risk perceptions and clarify returns for In-State Sourcing
  - Focus on San Luis Valley, fertile yet consistently poor region
  - Foundation for new cluster of micromalting operations
- **New Liquid Arts Research Forum**
  - Matches industry supply chain with university researchers
  - Agriculture to Processing to Marketing

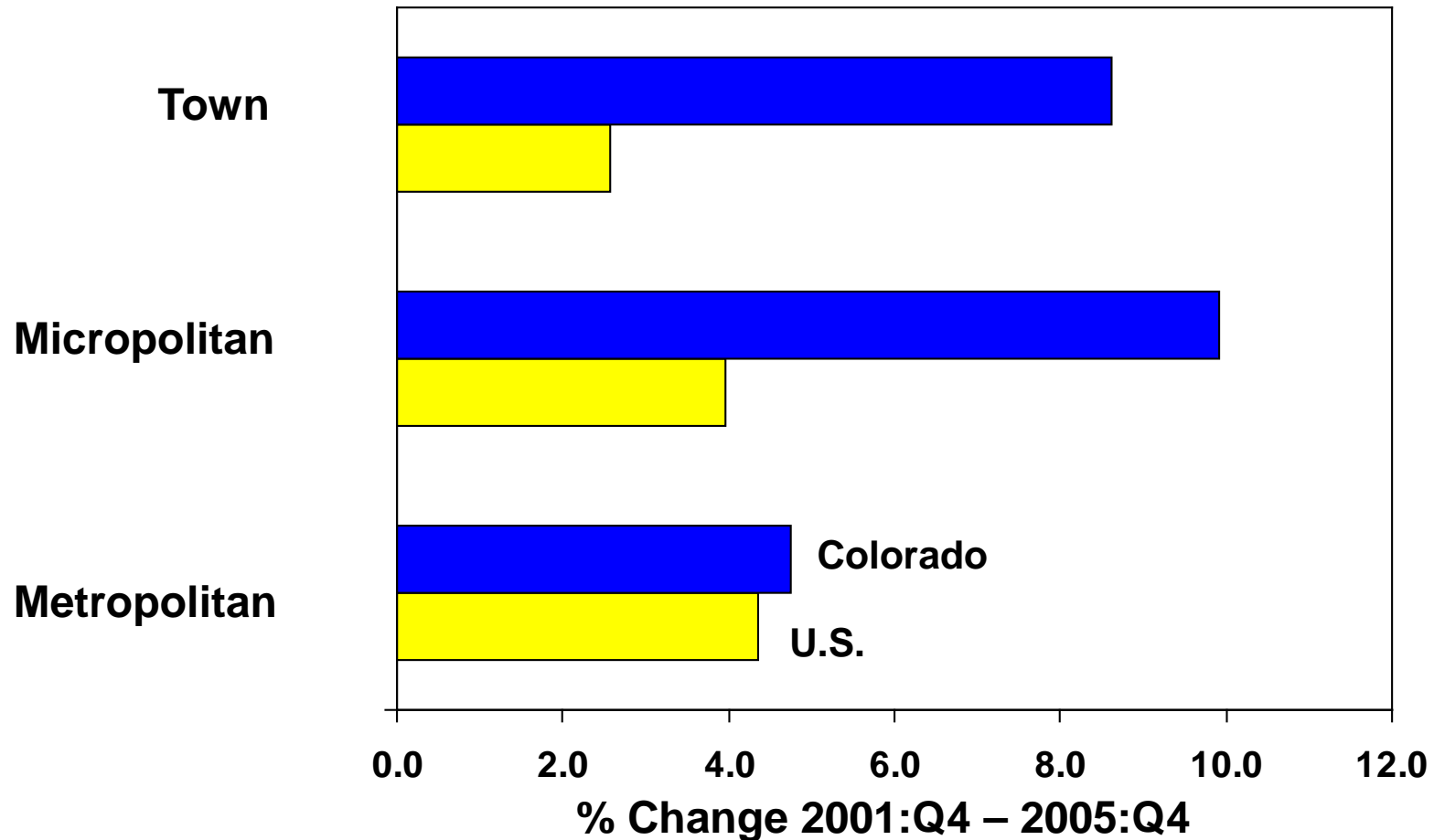
# Colorado Innovation Network

- **COIN: Private + Non-Profit + Government**
  - University research provides guidance
- **COIN Industries: *Collaborative Competition***
  - Critical mass crucial for state competitiveness
  - Clusters: Big firms gain from small firms' growth
- **Identified Micropolitans as sweet spots**
  - Sufficient Scale for Clusters
  - Costs/Congestion lower

# ***Rebound from 2001 Recession***

***Tech, Telecomm, and Tourism hit Colorado especially hard***

**U.S. and Colorado Employment Growth, Q4: '01-'05**



# ***The Gig Economy***

- **What is Gig Economy's impact on job creation?**
- **Nimble Nonemployer Establishments**
  - Pay no employees with \$1,000+ annual sales
  - Primary and Secondary Sources of Income
- **Over last 2 decades...**
  - 9% growth in employer establishments
  - 54% growth in nonemployer establishments
  - 10-20% of nonemployers become employers
    - Startups account for over 1/3 of new job creation in the US



Uber Drivers



Real Estate Agents



Photographers



Childcare Providers



Physicians



Writers



Tutors



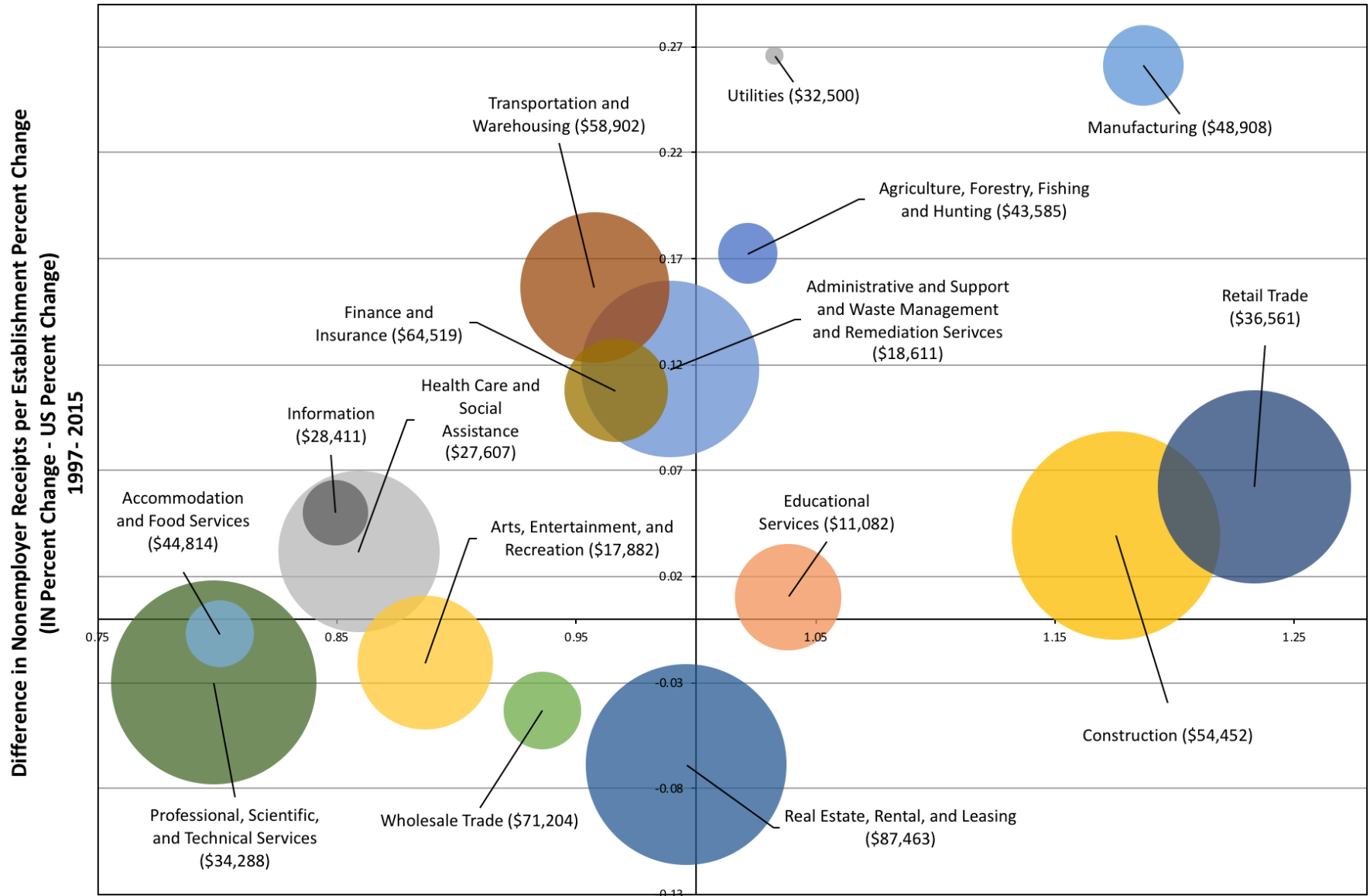
Carpenters



Family-Ran Corner Shops

# Indiana Nonemployers Concentration and Growth

*Sectors that have more solo/partner entrepreneurs also those likely to birth more employers*





# ***Gig Economy Effects***

- **Growth in Nonemployers creates more Employers**
  - Consistent across regions and biz cycles
- **Small business lending helps transition to becoming Employers**
  - Especially in non-metropolitan areas!
- **Research: Guidance on untapped opportunities**

# Conclusions

- *Universities can help inform regional economic development opportunities*
  - Level economic playing field
  - Maximize opportunities for all regions
- **Micropolitans as new growth poles**
  - Advantages in Asset and Amenity mix
  - Lower costs and higher quality of life