

Why Economic Developers Deserve a Nobel

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By Dr. Maury Forman and Jim Mooney, CED, CEDFP

Most economic developers are proponents, either directly or indirectly, of Keynesian economics. Keynesians hold that incentives or inducements by the public sector will result in economic stimulation of the private sector. On a micro level, deals for new investment are closed regularly by communities using incentives to extract certain behaviors by incoming or expanding businesses. On a macro level, actions taken, such as the \$700 billion economic stimulus package enacted in 2008/09, are intended to do the same thing. How well these inducements work is a matter of great discussion with people holding strong opinions on either side of the debate.

However, there are other drivers of our economies, most importantly, how individuals and businesses perceive the future, that determine how those economies behave. The 2011 Nobel in economics addresses this concept. Dr. Chris Sims (Princeton) and Dr. Thomas Sargent (NYU) were jointly awarded the Nobel this year for their work in Rational Expectation Theory (RET). In its simplest interpretation, RET states that if no one believes tomorrow will be better than today, they will sit on their money and not spend it in the local economy. That is exactly the problem we're challenged with in today's economy, i.e. homeowners are changing from spenders to savers, and corporations are sitting on all time record stock piles of cash as both segments look toward an uncertain future. While balance sheets are strengthening, our economy remains challenged.

So what does all this mean for economic development professionals? One of the under-spoken components to an economic developer's job description is that they are the cheerleader of the economy. No single unelected individual carries this torch with greater responsibility. Through the very nature of our work, we support the inherent belief that tomorrow will be better than it is today. We work unceasingly toward this goal with expectations, rational or otherwise, that the tomorrow we envision will result in our communities becoming a better place.

For most of us, the need for our cheerleading skills has never been greater than at this point in our careers. The Keynesian economics have worked as much as they can or will. Our companies and our households (in many cases) have the resources to spend which will move the economy forward, create demand for goods and services, and result in job creation. We need others to feel our enthusiasm for a better future.

Continued efforts at identifying our strengths, touting our accomplishments, and verbalizing our prospects are an economic developer's responsibility. As we gather this information, we need to continually channel it to our decision makers and to our press. Through these continued efforts, we will find that others will see the same community we envision. As this happens, the jobs we are expected to facilitate will ultimately become a reality and an economic developer may someday win the Nobel Prize.

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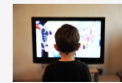
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