Economic diversity & lessons for economic development practice

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Diversifying Appalachia: Metrics, Tools, Strategies & Guides

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Agenda

• Economic diversity and the staple trap
• Economic diversity in the region
• Strategic approaches to diversification
• Takeaways for development practice
The case for economic diversity

- **Stability**
  Weather economic cycles

- **Growth**
  Support long-term economic development

- **Dangers of overspecialization or wrong specialization**
  - Concentration limits adaptability
  - Extractive economies prone to boom-bust cycle
Illustrating the “staple trap”

- **Commodity Price**
  - Low
  - High
- **Urgency of Need**
  - Low
  - High
- **Resources for Action**
  - Low
  - High

- Trapped & Anxious
- Captive & Happy
Economic diversity in the region

On average, distressed/at-risk counties less diverse than competitive/attainment counties.
Diversification and growth

• **Types of economic diversification**
  – *Diversification by choice*
    • “New” industries and support services
  – *Diversification by force*
    • Job losses from former strengths

• **Diversification dynamics**
  – Decline often accompanies diversification
  – “New” activities often build on existing assets
Diversification strategy I: Assess your risk

• How exposed is the community to:
  – A few markets?
    • By type, location, customer
  – A few technologies?
  – A few skill sets?

• Understanding risk requires micro—business by business—and macro analysis (county and region)
**Diversification strategy II: Capture opportunities**

- **Understand local economic assets as:**
  - *What*...a place makes: Its goods & services
  - *How*...a place makes things
    - Its workforce skills & competencies
    - Its technologies
  - *Why*...it has the economic activity it does
    - Its legacies
    - Its markets
  - *Where*...it connects with
    - Regionally, nationally & internationally
Takeaways for economic development practice

1. Implement diversification by choice; mitigate diversification by force

2. Extract value from cyclical booms through conscious investment in regional assets
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