UNDERSTANDING REGIONAL ECONOMIC GROWTH

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WVU ACADEMIC MEDIA DAY
OCTOBER 7, 2019
There are many sources of information about the current health of the overall U.S. economy and of the economy of WV and its regions.
WHAT IS MY CONTRIBUTION?

• Conducting research to understand the impacts of policies and other factors at the regional level.

• What are the factors that make one region or place do better?

• How do our generally one-size-fits-all policies affect different places?

• Tackling important research that can help inform future policymaking and economic development efforts.
WHY IS THIS IMPORTANT?

• The U.S. and WV are diverse.
  • Thus, policies may have differential impacts.

• I am especially interested in understanding what is happening in rural areas
  • And the differences between rural areas.
WHAT IS RURAL AMERICA?

In Goetz, Partridge and Stephens (2018), we explore the diversity of rural areas:

1. Metro-adjacent rural areas

2. High-amenity rural areas

3. Other rural areas
   • Area that have generally suffered economically.
   • Tend to have a history of reliance on mining or agriculture or to be more remote.
ECONOMIC DISADVANTAGES FOR SOME RURAL AREAS

• Productivity gains in industries like mining and agriculture have reduced the need for labor.

• Global competition has wiped out traditional rural advantages in lower wages and lower land costs.

• These areas are increasingly at a disadvantage in recruiting new employers:
  • Lower education levels
  • Limited workforce
  • Insufficient infrastructure
  • Higher transportation costs
WHY ARE SOME PLACES DOING BETTER THAN OTHERS?

• Some places in these regions are doing better than others.

• What might lead to growth in these areas?
  • Especially given the challenges

• What does that mean for places like parts of WV with a history of resource extraction/mining?
WHY ARE SOME PLACES DOING BETTER THAN OTHERS?

• Is it due to self-employment or entrepreneurship?

• It appears so.

• We find in Stephens and Partridge (2011) and Stephens, Faggian, and Partridge (2013),
  • That in Appalachia and other similar economic regions, places with more self-employed have higher levels of employment and population growth.
There is also tremendous variation across the country in the Labor Force Participation Rate (LFPR)

- The percentage of the working-age population that is either working or looking for a job (i.e. are in the labor force).

In 2017, the U.S. average was around 63%

- In WV, it was only 53%.
- And, these trends hold over the long term.
WHAT MAKES PEOPLE STAY IN THE LABOR FORCE?

• In Stephens and Deskins (2018), we explore what factors affect the variation in LFPR at the county level.

• We find that most of the differences can be explained by economic and demographic factors.
  • But that even after controlling for this, the LFPR is lower in WV and Appalachia.

• We also find that the LFPR is linked to higher levels of employment growth in rural areas,
  • Thus finding ways to increase it may be a critical step toward increasing economic prosperity.
DO ECONOMIC DEVELOPMENT INCENTIVES CONTRIBUTE TO GROWTH?

• One way that policymakers try to create jobs is by using economic development incentives to recruit businesses
  • But, the research is mixed on their effectiveness.

• Of recent interest is concern about the decline of the middle class.
In recent research (Patrick and Stephens), we explore both the effectiveness of economic development incentives and how it may be affecting the distribution of jobs.

We find some evidence that the use of economic development incentives to recruit high-wage or high-skill jobs:
- May only be crowding out similar jobs
- And, may be contributing to declines in middle-class jobs.

While we do not look at WV,
- This is something that policymakers here need to be aware of.
WHAT NEXT? MY CURRENT AND EMERGING RESEARCH RELATED TO WEST VIRGINIA’S ECONOMY

• Self-employment in Appalachia:
  • Funding from the Appalachian Regional Commission (ARC)
  • Further understand how the self-employed are contributing to the economy in this region.

• Shale development and its impact on other businesses:
  • What is the impact of shale development on the business mix in affected areas?

• Rural and urban linkages:
  • How do rural and urban areas interact and how does this help or hinder the local economies?

• Explore further the lower levels of the LFPR in WV and Appalachia:
  • What is causing it?
  • Are there policies that could increase it?

• The Opioid Crisis:
  • How is it impacting migration?
  • Who are those being impacted and what personal and regional factors are contributing to the crisis?
• What else should we be studying?
THE ROLE OF THE MEDIA: BRIDGING THE GAP

• The economic challenges in some places can sometimes seem overwhelming.

• While more research is needed about what affects regional development
  • We already know a lot.

• You can help by bridging the gap between research and policy
  • Bringing the research we are doing in front of policymakers
  • Helping get our research out to a more general audience than just other researchers!
THANK YOU!

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REFERENCES

• Map on Slide 1: Association of Bay Area Governments (ABAG), https://abag.ca.gov/tools-resources/maps/map-month/population-growth-variation-across-us-counties


