Rust Belt Rebound?

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Ohio lost the most jobs in the nation in September.
PANDEMIC JOB RECOVERY

Employment Relative to January 2020

Source: US BLS

Ohio: 97.6%
US: 100.6%
MORE ECONOMIC DEVELOPMENT MARKETING

Keep Austin weird. Like very high cost of living weird.

Source: St. Louis FRED
IT’S NOT MARKETING, IT’S A SIGNAL
ECONOMIC DEVELOPMENT INCENTIVES

Economic incentives are increasingly used by policy makers to spur growth (Bartik, 2017)
PULLING BACK THE CURTAIN OF PICKING WINNERS

“Oz had not kept the promise he made her, but he had done his best. So she forgave him. As he said, he was a good man, even if he was a bad Wizard.”

The Wonderful Wizard of Oz
ECONOMIC DEVELOPMENT INCENTIVES

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(Bartik, 2017)

Economic incentives crowd out economic activity and lower business start-up rates
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Economic incentives crowd out economic activity and lower business start-up rates (Partridge et al., 2020)

Negative effects may result from lowering public services (Bartik, 2020)
“People would rather live in homes regardless of its grayness. There’s no place like home.”

The Wonderful Wizard of Oz
THE QUALITY OF LIFE REVOLUTION

- As incomes have increased, demand for nice places to live also increased
- The 1st intercontinental railroad opened the floodgates to westward migration to the sunbelt
- In the early 1900s, California marketed itself as a great place to make a “comfortable, healthy home”
It is not **Necessity** that causeth consumption. Nature may be satisfied with little; but it is the **wants** of the Mind, Fashion, and the desire of Novelties and things scarce that causeth Trade”

Economist Nicholas Barbon, 1690
THE IMPORTANCE OF QUALITY OF LIFE

“The success of cities hinges more and more on cities’ role as centers of consumption”

(Glaeser, Kolko, Saiz, 2001)
QUALITY OF LIFE

“Mayors are shifting their focus from attracting firms to attracting residents by improving quality of life”

The Economist, 9/9/21
BUT WHAT DO PEOPLE WANT?
WE COULD ASK ...
Households are willing to pay higher housing prices and even forego higher wages to live in areas with higher quality of life (Rosen, 1979; Roback, 1982; Albouy, 2011)

Use markets to estimate quality of life in every county and metropolitan area*

*not just big cities
QUALITY OF LIFE

\[ \overline{QOL} = \hat{\theta}_r^j - \hat{\theta}_w^j \]

Weinstein, Hicks, Wornell (2022)
\[ \text{QOBE} = \hat{\theta}_r^j + \hat{\theta}_w^j \]

Weinstein, Hicks, Wornell (2022)
QUALITY OF LIFE

Matters for population and employment growth

Especially true for small towns in the Midwest

Source: Authors' calculations using Census Bureau data
QUALITY OF BUSINESS ENVIRONMENT

Matters less for population and employment growth
The relationship between quality of life and population growth has strengthened in the wake of the COVID pandemic and the rise of remote work.

Quality of Life and pre (red) and post-COVID (black) annualized population growth.
THE LOCATION PREMIUM

Midwest communities that appear well positioned for new growth: including Whitewater, WI (Walworth County); Celina, OH (Mercer County); and Brainerd, MN (Cass County)
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Counties that focus on quality of the business environment in a way that sacrifices quality of life may continue to struggle.
THE LOCATION PREMIUM

Counties that focus on quality of the business environment in a way that sacrifices quality of life may continue to struggle.

Reminder: negative effects from economic development incentives may be the result of lowering public services (Bartik, 2020)

Source: Authors’ calculations using Census Bureau data
SO, WHAT MAKES A PLACE NICE?
NATURAL AMENITIES → HIGHER QOL

Nice weather, beaches, mountains...
BUT NOT IN OHIO ... ?
“Northeast Ohio doesn’t have the luxury of a geographical crown jewel. No ocean or mountain range, no grand desert or majestic vistas really to speak of.”
PRIVATE GOODS & SERVICES

Recreation, Arts & Culture, Food stores...
SMALL BUSINESS AND QUALITY OF LIFE!

This is where businesses can have an outsized impact on the economy - by improving quality of life providing local goods and services we *need* and especially what we *want*!
QUALITY OF LIFE AND BUSINESS DYNAMISM

High quality of life places may attract entrepreneurs

Demand for local goods & services may spur start-ups

High quality of life places provide an abundance of “3\textsuperscript{rd} places” that foster networks and spur ideas
QOL AND GROWTH IN ESTABLISHMENTS

A one standard deviation increase in quality of life is associated with a 1 percentage point increase in the growth of establishments.

Note: the average %Δ in establishments = 2%
PUBLIC GOODS & SERVICES

Low crime rates, better health outcomes, connectivity, school spending, ...
YOUR CURRENT CLIENTS COME FIRST!

Meet the *needs* of current residents (food stores, schools, ...)

And meet the *wants* of current residents (recreation, arts, ...)

YOUR CLIENTS MIGHT BE WOMEN

Women exhibit stronger preferences for the Midwest

Women (even more than men) prefer cities with lower crime, shorter commutes, better environmental quality, more parks, ... and egalitarian gender role attitudes

Reynolds & Weinstein (2021)
WE HAVE TO BE THE SUPERHEROES

We have to be the superheroes we have been waiting for

We have to create and foster an entrepreneurial culture and ecosystem to meet the needs and wants of our community
THANK YOU

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