Revisiting Economic Policy and Economic Performance in Oklahoma

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Broader Context of Local Economic Development Policies

Definition and Theoretical Context

Local economic development policy can be defined as increases in the local economy’s capacity to create wealth for local residents.

Economic Theories

- Neoclassical Economic Theory
- Economic Base Theory
- Location Theory
- Central Place Theories
- Cumulative Causation Theories
- Attraction Models
Broader Context of Local Economic Development Policies

- Program Categories and Priorities
  - Economic Program Activities
    - Provide targeted assistance to businesses
  - Broader strategic initiatives via general tax, spending, and regulatory policy
Broader Context of Local Economic Development Policies

Categories and Priorities

Survey results of city officials show the following priorities:
- 86% - major economic development is a major responsibility
- 48% - first priority is to increase jobs
- 18% - increase local tax base
- 10% - diversify local economy

To achieve these priorities, survey results city officials show:
- 77% - involve local Chamber of Commerce
- 55% - involve private business
- 50% - involve citizen advisory boards
- 41% - create private/public partnerships
Policy Context of Local Economic Development

- Goals of Local Economic Development

  - Fiscal Benefits
    - Increased local profits, wages, sales and property values will enhance local tax revenues. However, other factors must be considered.

  - Employment Benefits
    - Determination based on the so-called reservation wage.
      - Training
      - Focus on higher wage premiums
Policy Context of Local Economic Development

Goals of Local Economic Development

Market Failures

Increase productivity of businesses by indentifying market failures in which inputs to business production are inefficiently provided.

Information on how to improve business production

Lack of R & D

Insufficient supply of business capital

Insufficient training of labor

Suboptimal provision of land

Lack of public infrastructure

Inefficient business regulation
Policy Context of Local Economic Development

Types of Local Economic Development Programs

- Attraction and Incentives
  - Persistent strategy aimed at attracting large branch plants, paying good wages and creating multiple positive spillover effects via tax increment financing and other incentives.

- Business Retention
  - Analyze needs of local businesses and develop policies accordingly to better meet business needs via business visitation and surveying programs.
Policy Context of Local Economic Development

Types of Local Economic Development Programs

- New Business Development
  - Emphasizes the creation of new small businesses via entrepreneurship training, small business advice, business incubators, and capital market programs.

- High Technology Development
  - Emphasizes the creation of high technology industry in the areas of manufacturing and nonmanufacturing producing goods or services or using production processes that intensive use of scientific and technical knowledge.
Policy Context of Local Economic Development

- Types of Local Economic Development Programs

  - Special Types of Land
    - Targeted development of land such as brownfields, economically distressed neighborhoods, and downtowns.
Policy Context of Local Economic Development

Management of Local Economic Development

Implementation Approach

- Coordination or organization within a local labor market area for the following reasons:
  - Minimize negative spillover effects of competition with local labor market
  - Rely on cluster strategies to affect the local labor market

Involvement of Relevant Stakeholders

- Private sector
- Community development corporations (CDCs)
Economic Performance

State – Gross Domestic Product (GDP) and Contributors

- Oklahoma registered a real GDP of $134.2 billion in 2011, a 1.0 percent gain from the revised $132.8 billion in 2010. U.S. real GDP by state grew 1.5 percent in 2011 after a 3.1 percent increase in 2010. The Southwest region, which includes Oklahoma, grew the fastest at 2.7 percent, led by Texas with a 3.3 percent increase.

- Durable-goods manufacturing was the leading contributor to real GDP growth in 26 states including Oklahoma, where it contributed 0.54 percentage points to overall growth.
Economic Performance

Figure 1: Industry Share of Oklahoma’s Economy (2011)

- Government, 16.3%
- Manufacturing, 11.7%
- Information, 3.1%
- Financial Activities, 14.5%
- Trade, Transportation & Utilities, 17.2%
- Construction, 3.4%
- Mining, 11%
- Agriculture, 1.3%
- Education & Health, 7.8%
- Professional, 8.6%
- Leisure, 3.1%
- Other, 2.2%

Source: Oklahoma Economic Indicators 2013.
Economic Performance

State – Unemployment

The U.S. unemployment rate was essentially unchanged in January. The unemployment rate inched up to 7.9 percent in January as both the number of people reporting having a job and the number looking for one edged up, according to the Bureau of Labor Statistics (BLS). Oklahoma’s seasonally adjusted unemployment rate ended the year at 5.1 percent in December, improving its rank to the 6th lowest jobless rate, (tied with Vermont), among states.
Economic Performance

Figure 2: U.S. and Oklahoma Unemployment Rate (Seasonally Adjusted)

Source: Oklahoma Economic Indicators 2013.
Economic Performance

- **State – Unemployment by County**

- According to the Oklahoma Employment Security Commission (OESC), all counties in Oklahoma reflected a drop in unemployment by the end of 2012.

- Currently the highest unemployment is in LeFlore County with 8.9% while the lowest unemployment is in Dewey and Ellis Counties. The five lowest rates are in western Oklahoma which is enjoying an oil boom. The lowest counties are Dewey County 2.2%, Ellis County 2.2%, Beaver County 2.4%, Roger Mills County 2.4% and Woodward County with 2.4%.
Economic Performance

Figure 3: Oklahoma Unemployment by County
Economic Performance

State – Real Personal Income

Americans saw the biggest increase in personal income since December 2004. Personal income increased $352.4 billion, or 2.6 percent, and disposable personal income (DPI) increased $331.3 billion, or 2.7 percent, in December, according to the Bureau of Economic Analysis (BEA). The huge gain for December was largely due to special dividends paid by many companies late in the quarter in anticipation of changes in individual income tax rates, as well as some acceleration in wages and salaries.
Economic Performance

Figure 4: U.S. and Oklahoma Real Personal Income
Index: 1st Quarter 2000 = 100

Source: Oklahoma Economic Indicators 2013.
Economic Performance

- **Region – Metropolitan Area Contributions**

- Real U.S. GDP by metropolitan area increased 2.5 percent in 2010 after declining 2.5 percent in 2009, according to the most current statistics from the U.S. Bureau of Economic Analysis (BEA). The economic growth was widespread as real GDP increased in 304 of 366 (83 percent) metropolitan areas, led by national growth in durable-goods manufacturing, trade, and financial activities.

- In terms of growth in real GDP, Lawton MSA ranked 15th out of the 366 U.S. metropolitan areas growing by 6.9 percent to $4.21 billion in 2010. Oklahoma City MSA ranked 205th growing by 1.7 percent, followed by Tulsa.
Economic Performance

Figure 5: Metropolitan Area Contribution to State Real Gross Domestic Product (2010)

Source: Oklahoma Economic Indicators 2013.
Economic Performance

Region – Business Attraction

- 126 company locations announced growth in Oklahoma in 2012 totaling over $3.5 Billion in new investment. 21 of these companies were new to Oklahoma and 67 were manufacturing announcements. Over 13,000 total jobs are expected to be created over the next few years.

- The largest 2012 job announcements were made by Boeing in Oklahoma City (900 jobs), Adfitech in Edmond (711 jobs), ASCO in Stillwater (600 jobs) and ORS Nasco in Tulsa (600 jobs).

- Leading counties: Oklahoma, Tulsa, Payne, and Mayes.
Economic Performance

Figure 6: 2012 Publicly Announced New and Expanding Oklahoma Companies

Source: Oklahoma Department of Commerce.
Economic Performance

- Municipality – Sales Tax Collection Comparison – 2005-2010

Altus

Duncan

Source: Center for Economic & Business Development. SWOSU.
Economic Performance

- Municipality – Sales Tax Collection Comparison – 2005-2010

**Lawton**

**Weatherford**

Source: Center for Economic & Business Development, SWOSU.
Resources


