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Steven Ballard

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Economic growth versus economic development: What can Maine government do to position us for the future?

by Steven Ballard

Since 1989, the State of Maine has faced a series of economic shocks. These shocks have included: the decline of the "Boston Miracle" and the corresponding negative impacts on the regional economy; erroneous and seemingly endless miscalculations of state revenues; incremental decline of several of the state's most important industries; and, the apparent need to reduce state expenditures for the 1994-95 biennium by as much as one billion dollars.

Not surprisingly, the public debate has been dominated by our immediate problems and by calls for a range of quick fixes to encourage "economic growth." The jobs bond of 1992 was one very recent example. Unfortunately, this outdated approach has little relevance to our current situation or to the global economy in which Maine operates. The appropriate policy questions have much more to do with what type of engine should run the vehicle and who should be driving than with the voltage in the battery.

This is not to suggest that Maine government is helpless. Indeed, public leaders can do much to positively influence our economic future. However, the role for the public sector in Maine should be based on the proposition that high-quality, lasting jobs are created primarily by the private sector and, within the private sector, primarily by small businesses. Economic development is inherently a long-term process and government must be a partner if it is to succeed. Let's focus the public debate on the nature of this partnership.

Understanding what works

Smaller, poorer, largely rural states like Maine have been experimenting with economic development policies for at least forty years. Hence, we should learn from what works and what does not work (Foster, 1988; Levy, 1992). The worst strategy for public leaders is to promise quick turnarounds. No state has very much control over the forces that drive their economies. When "jump starts" are promised, the results are guaranteed to disappoint the citizens who must pay the bills.

Public debate about our economic future should focus on the long-term, not just short-term, job creation. While job creation is important, counting "new" jobs is inherently a political exercise which may or may not be related to economic success. Maine should resist the pressures to create jobs at any cost. New jobs are only one component of what should be a strategic perspective. We must recognize that the public sector has a miserable record with respect to job

creation, so effective public policy will come from asking the question, "*what can the public sector do to assist small businesses,*" rather than "*how can the public sector create jobs.*"

Prior to any new public investments, citizens of Maine should expect their leaders to answer the following questions:

- Why is this investment good public policy? Should the public be supporting the new jobs? Is there a clear public purpose for the creation of the new job?
- Will these jobs last? What kind of jobs are we creating? Do they bring long-term benefits to the state, or are we temporarily supporting very low skilled employment?
- How much will it cost? How much is it reasonable for the public to pay for each new job? Is the public paying more for the job than it could possibly be worth?
- Is it equitable? Who will pay for these jobs? Do the costs fall disproportionately on some groups of Maine taxpayers?

Creating an economic development process

As Scot Fosler (1992) has so clearly explained, successful economic policy at the state level is a process of change. The foundations for Maine's economic future cannot be built in one or two years, but neither should the state start over each biennium. As conditions change, new policies should fit into a larger, long-term vision about what is best for the state and what the state can do to positively influence its economic climate. Thus, a critical policy question for the Legislature this year is, "*Does the State of Maine have an adequate economic infrastructure?*"

The answer to this question is almost certainly "no." Evidence shows that five factors are necessary to build an adequate infrastructure:

- An educated citizenry who understand the global economy and who demand a culture of high performance in both the public and private sectors (Fosler 1992: 7);
- A skilled workforce capable of responding to rapid changes in the workplace;
- A customer-oriented partnership among state government, the research community, and business. The research and government sectors must view this partnership from the perspective of the businesses currently in Maine, those which might be developed here, and those which could be attracted here, in that order.
- A research community capable of responding to state priorities; and
- The financial capacity to respond to both the problems and the opportunities of the global economy.

Building the state's economic infrastructure in these five areas will be very difficult, because this process will require both money and political willpower. These policies will not win many votes in the short term. However, even in the short-term, they help the state because they create a positive climate about the state, its values, and the kind of business we want to develop, retain, and nurture. As the Maine Development Foundation quite correctly pointed out in 1987, the best that we can do is to invest in the state's entrepreneurial environment.

Let's keep our eyes on the right target

Steven Ballard is the director of the Margaret Chase Smith Center for Public Policy. He also is chair of the Department of Public Administration at the University of Maine

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