Regional Research Grant #22-564-37
Benchmarking Local Economic Development Policies
Final Report

Grant C. Black
School of Business and Economics
Indiana University South Bend

1. Description of Grant-Supported Activity

Many cities have grown increasingly interested in economic development, in many cases by necessity where local economic conditions have waned over time. Due to structural shifts in industries, technological advances, and demographic transitions, many cities are looking for ways to improve their economies (Erickcek and McKinney 2004; Kearns 2001). While federal and state initiatives traditionally provided public support of economic development, efforts have increasingly been turning to more local levels (Bartik 2003). Due to a lack of understanding, as well as limited personnel and resources, many cities have resorted to “follow-the-leader” style policy responses regarding economic development. Cities have been quick to jump on the development bandwagon related to support for hot industries (such as biotech) or typical policy tools (such as tax abatements) with little thought as to why they should - or should no – be used in particular locations (Rolnick and Grunewald 2003). Research, however, advocates “smart” economic development that is tailored to each location and carefully structured for maximum benefit (Erickcek 2001).

Indiana and the Michiana region are no exception. The State of Indiana announced a new economic initiative in April 2006 to invest in workforce development and technology sectors, as well as review tax and regulatory policies (DeAgostino 2006). Government is not the only sector with stakes in the economic development game. Indiana University recently developed a comprehensive economic development strategy, emphasizing regionalism and outlining efforts for the South Bend area (Indiana University 2005). Moreover, representatives from local government, development organizations, businesses, and universities around Michiana have visited leaders in growing cities such as Louisville, Kentucky, and Springfield, Missouri, to research their successful development practices and rapid economic growth (Chamber 2005). Despite these efforts, limited data exist for the Michiana region, and what data that is available face time lags, which restricts their effectiveness and usability. Therefore, there are limited efforts to collect and report regional data in North Central Indiana.

Coupled with expanding development efforts and limited data is the fact that the Michiana region faces a complex and evolving economy that has received little attention in terms of substantive research. While recent research has begun to explore the role of benchmarking related to the local economy, it focuses solely on economic outcomes and does not address causes of these outcomes (Kotkin 2006). Moreover, it indicates that the economy in the Michiana region falls well below many other cities (NIWIB 2006). The Northern Indiana Workforce Investment Board attempted to benchmark South Bend and Elkhart to a group of comparable small-to-medium sized cities. Its findings suggest a generally mediocre performance of South Bend and Elkhart compared to other similar cities across a considerable number of performance measures. While this research provides some insight into the relative performance of the Michiana economy, it does not address what may contribute to these relative differences across cities.
This research moved in this direction to begin to examine factors that influence economic performance. In particular, it examined economic development policies across a cohort of comparable U.S. cities based on the peer cities selected by the Workforce Investment Board. This research examined current economic development policies across a sample of the peer cities. By better understanding existing policies and relating them to economic performance, local policymakers can improve the types and usage of policies, which can lead to increased economic growth in the Michiana region.

A unique data set was created for this project. Data were collected from primary and secondary sources on existing economic development policies in use by a group of peer cities that will be used for comparison with South Bend and Elkhart. The development data were categorized by policy type (such as tax incentives, small business development, and public funding). Additional data were collected to provide descriptive characteristics of each city. An electronic database will be compiled for analysis by city and policy type.

The PI devoted summer work to the project investigating benchmarking strategies, economic development policies, relevant methodologies, and the sample peer cities. The PI also supervised data collection and prepared the resulting report. The PI employed two undergraduate research assistants to assist in data collection and management. Data collection required extensive computer use and email and telephone communication with economic development organizations in the sample peer cities.

2. Project Completion and Difficulties

The project was completed, though the time required for completion was longer than expected. Difficulties extending the completion time included training the research assistants for data collection and challenges collecting data on the peer cities. Data were not readily available for several targeted cities.

3. Resulting Project Products

The purpose of this research was to provide useful information and recommendations to policymakers and others involved in local economic development in order to increase the effectiveness of economic development efforts in the Michiana region. To accomplish this mission, the findings of this research were compiled in a concise report that can be distributed to organizations related to local and regional economic development in Michiana, including local governments, economic development organizations, chambers of commerce, and business leaders. The research was discussed with leaders of the Chamber of Commerce of St. Joseph County as part of its strategic planning in 2007. A revision of the report is being produced for consideration for possible publication. The final report will also be made available on the internet for easy access by the general public.

In conclusion, the PI is grateful for this Regional Research Grant to generously support research on the Michiana economy.