Higher education and the public, private and non-profit sectors

Equal partners in promoting regional economic development

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Abstract: Institutions of higher education throughout the world are increasingly aware of the importance of working more systematically and productively with community and business leaders in order to create better local economies and, ultimately, better societies. This article presents an overview of how colleges and universities can assist with the identification and implementation of specific strategies for enhancing the economic development of the regions in which they are located. Also included is a discussion of the emerging advantages associated with developing these kinds of collaborative partnerships, as well as a brief overview of the major approaches to regional economic development.

Keywords: regional economic development; higher education partnerships; community development; local economies

In many countries, economic development has become a major thrust at the national, regional, and, especially, the local level. Globalization, democratization, urbanization, demographic shifts and technology are fundamentally transforming societies in ways that would have been incomprehensible only a few decades ago (Yergin and Stanislaw, 2002; Kaldor, 1956). Enormous opportunities have been precipitated by these changes. The potential to enhance the quality of life for a majority of the world's citizens has probably never been greater (Rifkin, 2002). At the same time, many advances of the last few decades have been accompanied by immense and often unforeseen difficulties. No single entity, acting unilaterally, is capable of taking full advantage of the opportunities that lie ahead (American Economic Development Council, 1998). Similarly, overcoming the challenges associated with those opportunities will require an unprecedented level of coordination and collaboration.

For about the first thirty years after the Second World War, economic development was pursued in a disjointed, ad hoc manner, and it was almost always focused on business recruitment. Today, however, economic development encompasses a wide range of endeavours, including the improvement of local amenities, the reform of public education, and the
Higher education and the public, private and non-profit sectors

fostering of minority business ownership (Meier and Rauch, 2000). Colleges and universities offer programmes of study leading to degrees in economic development. The field has its own journals and trade publications. Regional, national, and international conferences on economic development are now held regularly. In short, economic development has become both a formal profession and a very big business.

Economic development obviously aims to precipitate, sustain and augment economic growth (Perkins et al, 2001). But within this rather broad spectrum, different constituencies tend to have their own agendas when it comes to pursuing economic development. To those in the business sector, this involves the prudent application of policies that tend to increase commercial competitiveness. To those concerned with environmental issues, it entails an emphasis on conservation and preserving the natural order. To labour leaders, it becomes a mechanism for advancing compensation, benefits and training and educational opportunities. To community leaders, it has the potential to reduce poverty through the strengthening of the local economy (Temali, 2002). To legislators, it constitutes broadening the tax base in order to ensure the ongoing provision of high-quality public services and programmes.

In large measure, economic development consists of identifying and implementing ways to bolster the public services and infrastructure that are essential to the maintenance of a relatively high quality of life for the majority of those who live in a particular area. In order for this to occur, it is critical that the region has the right people at the right time with the right skills to take advantage of the employment opportunities that currently or potentially exist there. Satisfying these two requirements simultaneously – a sustainable quality of life via economic vitality – is challenging, especially as much of the world moves closer to a knowledge-based economic paradigm.

Even though the primary effects of economic development are usually most evident at the local level, issues related to educational quality and workforce preparation are becoming more important throughout the global community (Blakely and Bradshaw, 2002). Advances in information and communications technologies, as illustrated most notably by the exponential growth of the Internet, are having a profound impact on all segments of society (Hearn, Mandeville and Anthony, 1998). Anyone concerned with economic development at any level increasingly, has to have a working knowledge of the mechanics of the global marketplace. The important point is that they must be able to see how everything is becoming ever more interdependent.

Role of colleges and universities

In a fundamental sense, colleges and universities contribute to economic development through their very existence. Institutions of higher education are typically major employers within their service areas and, as such, tend to contribute significantly to the local economy. Undeniably, they also contribute to economic development through their graduates. On average, those who successfully complete post-secondary degrees are more likely to have a higher standard of living and overall quality of life than those without a college education (Perotti, 1996). This, in turn, has a positive impact on the economy in a number of direct as well as indirect ways.

In addition to the economic contribution precipitated by their existence and the graduates they produce, colleges and universities contribute directly to the economic development of their region through the programmes and services that they provide to the community (Pyle and Forrant, 2003). Through their continuing education and leadership development programmes, as well as other outreach initiatives, the academy seeks to promote economic development within a more defined framework (Cullen, 1998). In the past, these kinds of programmes and services were considered peripheral to the institution’s central mission. In the future, they will no doubt be reflective of its core value system.

There are those who feel that these contributions should be the extent of higher education’s involvement in economic development. Yet more than at any time in the past, colleges and universities are subject to the same forces and pressures as other societal institutions. In many countries higher education has been subsidized by government and thus protected from the larger economic and ideological forces that affect business, industry and local communities. But this is changing: the academy no longer has an exclusive contract on the transmission of culture or even the development of new knowledge (Dunn, 2000; Katz, 1999). It now has competitors that are getting better on both counts.

An open and ongoing dialogue concerning economic development between colleges and universities and leaders in the business, government and civic communities is needed in order to ensure their collective survival (National Association of State Universities and Land-Grant Colleges, 1999). The ability to generate consensus is becoming a critical factor in economic development initiatives. To this end academics can bring a number of key strengths to the discussion, including knowledge of how social and economic trends at the global level can be applied to, and assimilated at, the local level. Moreover, they are
generally good at identifying the distinct roles that institutions and the local community should play in their collective efforts. Finally, academics tend to be adept at reflecting on the mechanisms that serve to accentuate the collaborative effort.

Many colleges and universities around the world are currently working to identify and implement strategies for enhancing the economic development of the regions in which they are located. Specifically, some of these strategies include the promotion of the commercial exploitation of new ideas and concepts, enhancing the environment for economic diversification, attracting greater venture capital investment in the region, and maximizing research performance and innovation capacity, particularly as a renewable resource.

For example, several institutions are looking closely at the 'university–community engagement' model that was pioneered at the University of Alberta (Government of Canada, 2001). The University of Alberta has historically been engaged with the local community, as evidenced by its emphasis on continually improving the quality of its relationships with the private sector (Government of Alberta, 2001). The university–community engagement model focuses on the efficient and productive exchange of knowledge and resources between a university and the community in which it is situated. This is accomplished via the pursuit of issue-based discovery and communication, advocacy of lifelong learning and holistic human development, and participation in activities and programmes that provide a direct service to society.

It should be noted that faculty at many colleges and universities are already working closely with their counterparts in the public, private and non-profit sectors of their communities on economic development initiatives. Ascertaining how to meet the demands of an information-based society can be complex and even daunting. Faculty are ideally suited to this challenge due to their inherent expertise in exploring new ways to use research, educational resources and existing or emerging relationships. Moreover, they are particularly proficient in explaining how economic development can be nurtured and maintained within the context of a region's unique environmental circumstances. The greatest challenge for academics lies in getting community and business leaders to accept their explanations and implement the action plans that they imply.

Approaches to economic development

In general, economic development is concerned with enhancing a particular region's productive capacity, which has traditionally included its land, labour, capital and technology (Lucas, 1988). The strategies employed by those engaged in economic development activities are typically a reflection of how the process is conceptualized. Successful approaches tend to be built on theoretical constructs that mandate how economic development initiatives should be implemented. Academics typically have much more experience in applying theory to practice than their colleagues in the non-academic world. On the other hand, community and business leaders are often much more cognizant of the political aspects that can heavily influence how well the strategy works in achieving its intended purpose. In order to move from concept to accomplishment, economic developers must work in concert. There must be a mutual understanding of the basic tenets of the theoretical model used as well as how the model can be adapted to a region's unique features.

Several theories have been developed in an attempt to explain why some regions succeed economically while others do not. Some models hold that economic growth comes through the attraction of companies or clusters of industries to a particular region (Meier and Rauch, 2000; Holmes, 1996; Schmenner, 1982). Other models assert that economic growth is a product of social cohesion, trust and community connectedness (Maliza and Feser, 1999). Still others contend that concentrations of educated people drive economic growth (Florida, 2002). To see how higher education and the public, private and non-profit sectors can collaborate more effectively, it is necessary to review briefly some of the major approaches to economic development.

Interregional trade

In the interregional trade model, consumer welfare is the goal of economic development, not job creation. The approach emphasizes prices, quantities of commodities and factors of production. Economic growth is defined almost exclusively in terms of creating greater consumer welfare (Maliza and Feser, 1999). A key principle of this approach is the elimination of differentials to establish an equilibrium in the pricing structure of commodities. The overall aim is to create a local economic system with less governmental intervention, freer international trade and markets that are more open to competition. A problem can arise with the interregional trade approach, however, if it is not implemented comprehensively. For instance, there is a risk that long-term stability will be sacrificed for short-term convenience through protectionist policies that are inherently counterproductive.

Economic base

In the economic base approach, a region's industrial assets are designated as belonging either to the 'basic
sector’ or the ‘non-basic sector’ (Maliza and Feser, 1999; Foley and Watts, 1996). Economic growth at the local level is gauged in terms of changes in output, income or employment (Galar and Zeira, 1993). The key factor in the approach is the way in which the basic sector responds to external demand for local exports. Improvements in output, income and employment within the basic sector are seen as having an ameliorative effect throughout the regional economy. The economic base approach supports the attraction of new industries via recruitment and location marketing (Calzonetti and Walker, 1991). It also provides a frame of reference for understanding the evolution of economic development in many Western countries. A major problem with the approach is that it can be deficient in fostering long-term economic development.

**Staple**

In the staple approach, economic development is viewed as sustained growth over the long term which is the result of global demand for, and investment in, the export staple (Todaro, 2000; Maliza and Feser, 1999). The approach emphasizes the link between the economic base and the political aspects of the community (Romer, 1986). The export staple remains the primary focus of the economy until it is no longer competitive in the larger economic system; that is, specialization is considered more important than diversification. The idea is that tertiary economic activity will eventually be attracted to the region as a consequence of its perception as a viable community. Although the staple approach is ideally suited for some regions, a lack of economic diversification tends to work against economic prosperity in the global marketplace.

**Product cycle**

In the product-cycle approach to economic development, products are categorized as ‘new’, ‘mature’ or ‘standardized’. At any given time, the local economy can be divided into distinct regions. Some regions pursue the development of new products, while others deal with maintaining the production of standardized commodities. The essential ingredient of the product-cycle approach is new product development (Maliza and Feser, 1999). The idea is eventually to commoditize new products and transpose production to other regions of the economy. This process is thought to drive economic growth (Todaro, 2000). Economic developers operating via the product-cycle approach strive to identify and recruit companies that have the demonstrated capability to develop new and innovative products. They also seek to mobilize the resources needed to enhance the local infrastructure so that it is more supportive of product development.

**Neoclassical growth**

In the neoclassical growth approach, economic development is conceptualized as a process of increasing the rate of economic growth as measured by changes in output or income per capita (Maliza and Feser, 1999). The rate of saving that supports investment and capital formation and the relative returns on investment and wage rates are viewed as the primary drivers of regional development. The approach supports the notion of a free market and seeks to enhance the efficient allocation of resources and price mechanisms (Yergin and Stanislaw, 2002). The simplest models based on these principles suggest that economic developers are really unnecessary, but more realistic and complex formulations support various economic development initiatives.

**Entrepreneurship**

In the entrepreneurship approach, innovation is seen as the driving force behind economic development. ‘Innovation’ is defined as the introduction of new methodologies, which is usually coupled with creative risk-taking (Florida, 2002; Banerjee and Newman, 1991). The basic dynamic is the creation of an environment that is favourable to entrepreneurs. Economic development proceeds as improvements in the private sector create local economies that are more resilient and diverse. The entrepreneurship approach can be difficult to implement in a systematic and predictable manner as its primary driving force, creativity, is inherently enigmatic. In the USA, financial innovations such as the venture capital limited partnership have helped to establish a formal and successful system for developing and funding new entrepreneurial companies.

**Creative capital**

In the creative capital approach, regional economic growth is conceptualized as driven almost exclusively by creative people who like to congregate in places that are diverse, tolerant and open to new ideas. The basic idea is that, as the concentration of creative capital increases, it inevitably and almost spontaneously leads to higher rates of innovation, high-technology business formation, job generation and overall economic growth (Florida, 2002). According to this approach, for a region to be economically viable it must possess adequate levels of technology, talent and tolerance. To attract creative individuals, stimulate ongoing innovation and generate substantive economic growth, a location must have all three components. Many economists have argued that industries with ‘low entry barriers’ are important for economic prosperity. According to the creative capital model, it is even more important for
regions to have low entry barriers; in other words, regions that are economically successful tend to accept and assimilate newcomers rapidly into the social, cultural, and political fabric of the community (Florida, 2002). This is a relatively new approach, and it has already ignited considerable debate about the relative strengths and weakness of place-based versus people-based development strategies.

**Importance of commitment**

Many other formal models and strategies have been formulated for understanding and promoting economic development over the last few decades – among them the sector, the growth pole and the flexible production approaches (Todaro, 2000; Maliza and Feser, 1999; Aghion and Bolton, 1997). Regardless of which approach is selected as the ‘best’ for a given region, the final determinant of how successful it will be over time is the level of commitment and dedication of the individuals responsible for its implementation. Any approach, regardless of how brilliant or well conceived it may be, is doomed to failure if it is implemented improperly or without conviction.

**Implications and conclusion**

For the majority of the population at large, economic development continues to be essentially about jobs – the retention, expansion, and creation of employment opportunities for the citizens of a given region (American Economic Development Council, 1998). The public sector generally seeks to increase incomes, the number of jobs and the productivity of individuals and resources in a specific location. At the same time, there are often trade-offs between the somewhat dichotomous goals of creating jobs and generating wealth (Yergin and Stanislaw, 2002). For example, productivity gains may lead to the elimination of some jobs, particularly in the short-term. Indeed, regardless of which particular approach is eventually adopted, value and ideological differences almost always exert an enormous influence on the overall process.

It is clear that colleges and universities must work in concert with the public, private and non-profit sectors to create high-knowledge, value-added innovation economies within their regions. Their collective focus should be on the creation of a culture that is committed to continuous learning in the context of an educational infrastructure which is interwoven with the economic fabric of the community. Economic development then becomes a mechanism for perpetually enhancing economic prosperity and the quality of life across generations in an era characterized by constant flux on a global scale.

**References**


Higher education and the public, private and non-profit sectors


