



TARGETING REGIONAL ECONOMIC DEVELOPMENT

A JOINT INITIATIVE OF THE REGIONAL RURAL DEVELOPMENT CENTERS

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What is TRED?

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TRED is:

- An economic development strategy
- A process (strategic planning)
- Content (data analysis and interpretation)

Targeted Regional Economic Development (TRED) is a means to an end with the end being the implementation of a viable set of economic growth and development strategies. By combining the process of targeting analysis with the contents of the analysis, powerful insights into the regional economy can be gained. We suggest that the TRED exercise can be as much an educational tool as it is the foundation of a technical report delivered to community leaders.

Targeted Regional Economic Development is composed of multiple parts including a detailed and methodical analysis of the regional economy, set within a process that allows community leaders and concerned citizens to influence the direction of the analysis. Through the process of undertaking a TRED analysis a better understanding of the regional economy will be gained along with insights into specific economic growth and development strategies. We will see that well-crafted targeting analysis can help focus energies not only on which industries to recruit but also, and more importantly, on existing businesses and the promotion of new businesses through entrepreneurship and small business development.

As we will see there are numerous approaches to TRED analysis ranging from the simplistic to the complex. Simplistic analysis may include examining indicators of industrial strength such as Location Quotients, shift-share and market threshold. Even such simplistic measures can provide valuable initial insights. More complex and rigorous methods of analysis can range from measures of regional imports and exports in the spirit of import substitution to statistical analysis of the probability of a certain type of industry being present in a region. It is important to keep in mind that the analytics, no matter how simplistic or complex, are not an end product but a means to an end. That end is a better and more sophisticated understanding

of the regional economy and the adoption of a set of focused strategies that moves the regional economy forward.

The approach that we propose is based on the argument that the TRED analysis is a means to undertaking a strategic planning process. There is a growing recognition across communities and public agencies in the value of strategic planning. Some states have statutory requirements that communities develop and have in place comprehensive plans. For most of these plans economic development is a central focus. In other states economic development practitioners have embraced strategic planning as vital to their community-based efforts. Unfortunately, for too many communities that undertake a Targeted Regional Economic Development analysis the strategic planning process is lost to the economic analysis. Too often a community will hire a consultant who analyzes the data and presents a technical report to the practitioners and community leaders. Due to the lack of local ownership of the analysis coupled with the complexity of the analysis these technical reports are more likely to collect dust than to inform local decisions. By using TRED as a focal point of an economic growth and development strategic planning process, sustainable change can occur within the community.

Targeted Regional Economic Development, however, should not be viewed as a panacea for community and regional economic growth and development difficulties. TRED analysis is relatively focused on identifying industries or economic sectors that might be most appropriate for the region. TRED is not aimed at addressing community-wide issues such as poverty or affordable housing. While such issues may come to the forefront through the strategic planning process that we outline, TRED analysis addresses a much narrower question. In addition, some economists dismiss industrial targeting strategies as wasteful and ineffective “central planning”. In this view local officials and concerned citizens are charged with “picking winners” and because of the complexity of the economy any such effort is doomed to failure. These economists maintain that the “markets know best” and that the best the community can do is to create a viable business climate, broadly defined, and get out of the way.

To a certain extent we agree with these economists, but only within a certain context. When a community hires a consultant who delivers a tome of a report and the community then spends limited resources on recruitment efforts, these “market” economists may be right. If, on the other hand, the community uses TRED as a specific approach to strategic planning, then we believe the “market” economist overstate their case. We argue that by approaching TRED as suggested here, local decision makers and concerned citizens will come to appreciate the complexities and nuances of industrial targeting and put in place reasonable expectations and strategies.

In the end, the process and analysis we offer here will help local officials better understand that not all communities can become the next “biotech silicon valley” or a tourism mecca. A thoughtful analysis cast within a reasonable strategic planning process can help communities better understand what is and what is not reasonable. Can mistakes be made and strategies misdirected? Of course, but can the community position itself so as to learn from these mistakes? If we take the approach of the “market” economists and simply sit back and let the markets dictate the community’s future, subtle but important opportunities will be missed.

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