

TACIR

The Tennessee Advisory Commission
on Intergovernmental Relations



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MEMORANDUM

TO: Commission Members

FROM: Lynnise Roehrich-Patrick
Executive Director 

DATE: 29 November 2012

SUBJECT: Sustainable Competitiveness for Tennessee's Counties: A Collaboration between TACIR and TSU

Tennessee State University staff, Dr. Soumen Ghosh, head of the Department of Economics & Finance, and Dr. Meg Streams, assistant professor of the Department of Public Administration, will discuss details of a new study funded partially by TACIR. The purpose of this project is to support development of strategies to keep jobs in the local economy and arrest or prevent erosion of the tax bases that provide basic necessities, while maintaining the quality of life of Tennessee citizens.

For this study, Drs. Ghosh and Streams will develop a concept of sustainable competitiveness for Tennessee's counties and identify its potential drivers. Through a two-pronged approach: first they will use data housed at TACIR and additional county-level measures to learn what factors are associated with sustainable competitiveness, then they will augment their quantitative analysis by surveying county and large city policymakers to determine decision makers' judgment of the value of those factors for their jurisdiction's prospects.

Drs. Ghosh and Streams intend to answer the following questions in-depth:

- *What is sustainable competitiveness? Why study sustainable competitiveness?*
- *What is the appropriate level to evaluate sustainable competitiveness in Tennessee? Or, what can evaluating it at different levels tell us?*
- *Can we identify "high performing" regions/counties in the state, controlling for characteristics like wealth? What factors—public and private—can be measured which contribute to sustainable competitiveness as defined? Do they separate "high performers" from other regions/jurisdictions?*
- *How do county and large city-level officials (elected and administrative) weigh the potential drivers we identify in terms of importance for the competitiveness of their*

***Analyzing the Factors Underlying Sustainable Competitiveness of the
State of Tennessee and its Counties***

A Proposal Prepared for the Tennessee Advisory Commission on Intergovernmental Relations

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Introduction/Background:

Competition between firms undergirds the market economy. However, unbridled competition between *jurisdictions* may not necessarily be advantageous in the same way – or palatable to policymakers. For one region or jurisdiction to win, must another lose – i.e., must competitiveness of jurisdictions imply a zero-sum game?

In a recent report to the Governor,¹ the UT Center for Business and Economic Research highlights some of the challenges facing the state economy in the near and long terms. In particular the short-term outlook does not suggest a rapid recovery. There are, however, sectors that show encouraging signs, such as manufacturing. The automotive industry in middle and east Tennessee has seen promising development, thanks to the new Volkswagen investment in Chattanooga as well as activities of Nissan and GM. Nonetheless, the unemployment rate in Tennessee remains high, and is forecasted (predicted) to fall only to an annualized rate of 8.9% for 2012. The report mentions the “Changing Face of Tennessee,” noting that Tennessee’s population has grown since the 2000 census - the 2010 Census report shows that the state population in fact grew at a faster pace of 11.5 percent than did the nation, with 9.7 percent growth. Immigration has impacted the state, in particular shaping the state’s young population; the population of Tennessee children grew by seven percent, with the majority of this growth (71 percent) in the Hispanic demographic. However, the overall Hispanic population of the state remains under nine percent, lower than the overall US proportion of 16 percent. Meanwhile, the over-65 component of the state population has grown at a rate more than twice that of the under-65 group, and growth in this demographic will continue as baby boomers enter retirement age. Tennessee’s economy and education system will have to evolve to meet the needs of its residents as the state becomes older and more diverse, to set the stage for long-run competitiveness.

Tennessee is not unique in its economic geography, particularly in the Southeast. It has four major metropolitan areas that are centers of attractions in terms of jobs, education, business, and the arts. The authors of the CBER report note that population growth over the last decade has tended to be concentrated around the urban areas (p. 40). Nonetheless, the state retains much rural character: based on the 2010 census, although 66 percent of Tennesseans live in an urban setting, 70 out of 95 *counties* have over 50 percent of county residents living in a rural setting.² There lies the challenge. While keeping the rural fabric may be desirable to the native population of the counties, that in and of itself does not bring in jobs or pay for the support system (e.g., infrastructure, both private and public) that is conducive to a modern economy. As a result many of these counties risk loss of population through out-migration to other counties, and perhaps to other states. The UT CBER report notes that 38 Tennessee counties lost more under-18 residents than they gained over the ten-year intercensal period; seven counties (of which five are in the western part of the state) experienced a net population loss overall. Furthermore, thirty-six counties experienced a net loss in workforce over the decade from 2000 to 2010 in a pattern suggestive of a response to sustained elevated unemployment relative to the state average - i.e. movement in response to poor job prospects in the county. Economic policy framers face

¹ Murray, Matthew N., William F. Fox, Celeste K. Carruthers, Vickie C. Cunningham, J. Randy Gustafson, Melissa O. Reynolds, Angela R. Thacker, et al. "The State's Economic Outlook: January 2012." 12. Knoxville, TN: University of Tennessee Center for Business and Economic Research, 2012. Matthew N. Murray et al., "The state's economic outlook: January 2012," (Knoxville, TN: University of Tennessee Center for Business and Economic Research, 2012). <http://cber.bus.utk.edu/tefslist.htm>

² See United States Census Bureau, “Percent urban and rural in 2010 by state and county” and “Percent urban and rural in 2010 by state” available at <http://www.census.gov/geo/www/ua/2010urbanruralclass.html>

a dilemma: is there any optimal design/framework that fits this problem-- keeping jobs in the local economy, arresting or preventing erosion of the tax base which provides basic necessities, while maintaining the quality of life of its citizens?

The overall purpose of this proposed study is to both operationalize the concept of sustainable competitiveness for Tennessee counties and to identify its potential drivers. We propose to (1) use available data already housed at TACIR, as well as additional available county-level measures, to learn what factors are associated with sustainable competitiveness, and (2) to conduct an original survey of county and large city policymakers which will complement the quantitative analysis with decisionmakers' judgment of the value of those factors for their jurisdiction's prospects.

Objectives:

Specific objectives include addressing the following questions, and arrive at in-depth answers to each of these questions, which can inform policy decisions:

- *What is sustainable competitiveness? Why study sustainable competitiveness?*
- *What is the appropriate level to evaluate sustainable competitiveness in Tennessee? Or, what can evaluating it at different levels tell us?*
- *Can we identify "high performing" regions/counties in the state, controlling for characteristics like wealth? What factors – public and private - can be measured which contribute to sustainable competitiveness as defined? Do they separate "high performers" from other regions/jurisdictions?*
- *How do county and large city-level officials (elected and administrative) weigh the potential drivers we identify in terms of importance for the competitiveness of their jurisdiction? Does their weighting correspond to or differ from that derived from the quantitative analysis of existing data? What do county officials view as key policy factors or changes influencing their county's success?*

Scope of Work & Methodology:

The proposed scope of work includes developing a framework that can be used to answer the questions raised above. The concept of what makes a jurisdiction "competitive" is fluid in the regional studies literature, and the concept of "sustainable competitiveness" is even newer, but it is clear that a nuanced understanding of competitiveness must include more than performance on purely macroeconomic variables. TACIR already has a substantial database of county-level characteristics on a variety of dimensions, from which reports can be obtained by county online; CTAS and ECD also make certain types of county-level data available in web databases. The CTAS system generates maps based on these data as well. However, in all these disparate sources, county-level variables are not presented in a conceptual framework which gives greater insight into long-term success – "sustainable competitiveness." We propose to develop this concept fully based on the literature and to develop a model to test how various potential determinants relate to measures of sustainable competitiveness. Types of data will include traditional macroeconomic variables but will be complemented by other types of measures such as social capital indices,³ measures related to education, etc., given that broader understanding of the competitiveness concept as Kitson et al. (2004) have illustrated in the figure below.

³ Anil Rupasingha and Stephan J. Goetz, *U.S. County-Level Social Capital Data, 1990-2005*, prod. Penn State University The Northeast Regional Center for Rural Development (University Park, PA: 2008). http://nercrd.psu.edu/Social_Capital/index.html.

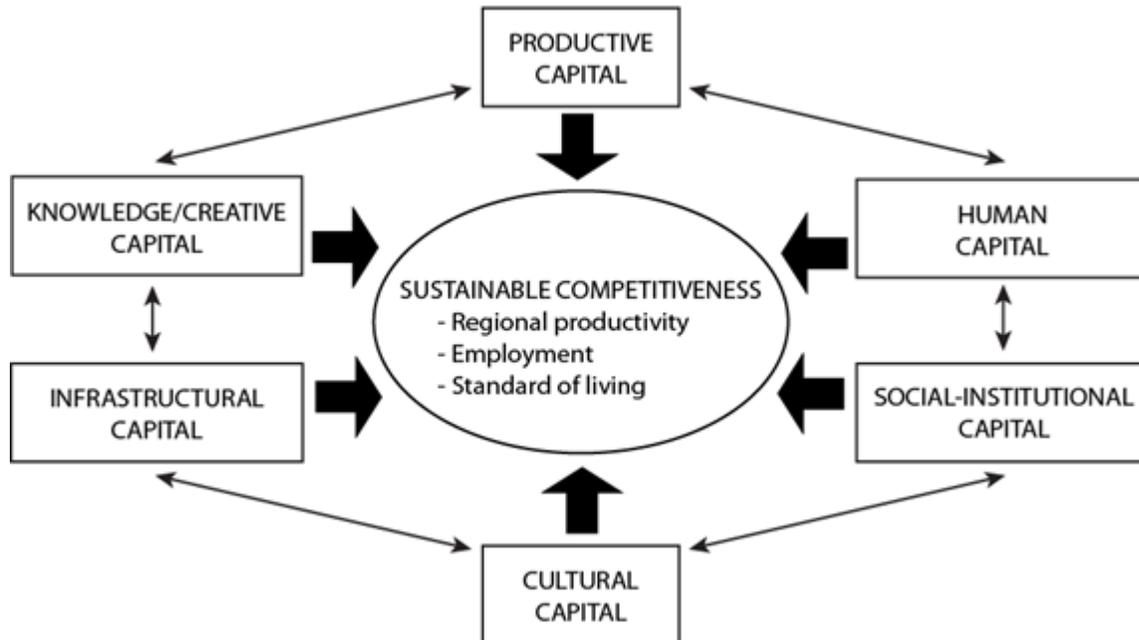


Figure 1. Contributing elements to competitiveness at the regional level are not only captured by standard macroeconomic measures, but also include a range of supporting private and public assets a jurisdiction may possess.⁴ Figure adapted from Kitson et al., 2004.

Our goal would be to develop a time-series cross-section model using data already available which could exploit variation across time and space in Tennessee county outcomes and potential determinants of sustainable competitiveness. The results of this model would provide insight into which of the hypothesized types of determinants, across the categories shown in the figure above, in fact do have a significant and positive association with outcomes we define as showing sustainable competitiveness for the jurisdiction (e.g., measures of employment growth over time; we plan to run the model with several different dependent variables designed to capture dimensions of sustainable competitiveness). Of course, not all the identified determinants may be subject to policy manipulation to the same degree, but a greater understanding of the factors that do matter can still inform policy development. This analysis could be used in the development of an index which could be calculated in future years to indicate how counties are performing in terms of sustainable competitiveness.

In parallel with the development of this model, we would be progressing in the development of a survey instrument to collect a different kind of data about the potential drivers of sustainable competitiveness, as described below.

Survey of county and local administrators and elected officials

We propose to complement the development of a model of sustainable competitiveness for Tennessee counties using existing data as described above, by developing a survey of county and large city decisionmakers, both elected and bureaucratic. Based on our work developing the model, we would develop an instrument to ascertain policymakers' judgment of key recent policy actions which influenced their county's competitiveness, as well as qualitative data on their views of challenges facing their jurisdiction in coming years. In addition, a vital part of the instrument would focus on assessing

⁴ Figure 1, "Bases of Regional Competitiveness" from Michael Kitson, Ron Martin, and Peter Tyler, "Regional Competitiveness: An Elusive yet Key Concept?," *Regional Studies* 38, no. 9 (2004).

the subjective weights policymakers place on the potential drivers of sustainable competitiveness which we identify in the quantitative analysis of existing data described above - i.e., how important do they rate each of the types of drivers for their jurisdiction's success? While existing data on the variables identified as contributing to competitiveness can feed into the development of the model quantitatively, only through a survey mechanism can we gain insight into how those directly connected with county and city policy see their jurisdiction, and how they view those same policy variables.

Our development of the survey would take place in tandem with the development of the quantitative model, and would evolve with our definition of the core concepts as well as with feedback from TACIR and pilot testers. Two focus groups would be conducted in the phase of instrument development, one with county-level policymakers (possibly at the October conference of TCSA), and one with large city-level policymakers. A group of pilot testers would be identified with advice from TACIR and county-level associations, to review the draft instrument prior to administration.

We currently envision the survey capturing information on a variety of potential county policy domains, regarding relative importance for the jurisdiction, changes, terminations, and new policies; external shocks to the county policy system; and future challenges, as sketched out informally below.

LOOKING BACK:

Consider the past X years. For each of the policy types indicated below, please list changes, terminated or new policies which you believe have had or will have a major impact on your county. [Final item design would take into account feedback from focus groups, pilot testers, and TACIR; this is simply to give an idea of the item domains we would consider.]

Policy type	Changes to existing policies	Terminated policies	New policies
Taxation			
Debt policy/issuance			
Budget procedure			
Education			
Roads/Bridges/Transportation			
Public health			
Public safety/law enforcement/courts			
Fire protection			
Planning/Zoning/Codes			
Administration – personnel/procurement/records/organization			

Utilities/Public Works			
Tourism/Parks/Recreation/Conservation/Wildlife/Hunting			
Environmental/Solid Waste/Recycling/Sanitation			
Historic Preservation			
Relationships with nonprofits providing services to county residents			
Consolidations/annexations within the jurisdiction			
Economic Development/Incentives to companies/employers			
New employment initiatives, ex. job training centers			

Please think back over the past X years. What, in your judgment, are the most significant external shocks - positive or negative - that have affected your jurisdiction? How has your jurisdiction responded?

Type of shock	Brief description	Positive aspects?	Negative aspects?	Jurisdiction Response, if applicable
Major Employers/Firms – new locations, expansions, contractions, exits				
Transportation (Highways, interchanges, etc.)				
Rating changes				
Lawsuits				
Neighboring county policies impacting county				
City inside county policies impacting county				
State funding (changes/terminations/new)				
Federal funding changes/new/terminated				
Other:				

LOOKING AHEAD:

Please consider...	...the upcoming year	...the next 5 years	...the next 10 years
What are the most significant CHALLENGES you foresee for your jurisdiction in the time period specified?			
What are the most significant OPPORTUNITIES you foresee for your county in the time period specified?			

Project Deliverables: This project will deliver several short-term and long-term products. The short-term products include a series of interim reports that will highlight answers to some of the questions raised at the outset.

- *What is sustainable competitiveness, and why measure it? A brief article for the "Tennessee County News" and Tennessee Municipal League's publication, "Town and City"*
- *Top-line results of two focus groups for TACIR*
- *Online survey Instrument and administration plan for TACIR*
- *Top-line survey results brief for TACIR*

The last product of the study will be a final project report to TACIR encompassing the theoretical background, quantitative model and findings, focus group and survey findings, and conclusions.

We may also be able to give brief presentations on the project to develop interest and buy-in from potential respondents at the October TCSA conference, or to present results after they are obtained. There may also be potential for presentation and publication of a peer-reviewed article with TACIR co-authors arising from the study.

References:

Kitson, Michael, Ron Martin, and Peter Tyler. "Regional Competitiveness: An Elusive yet Key Concept?". *Regional Studies* 38, no. 9 (2004): 991-99.

Murray, Matthew N., William F. Fox, Celeste K. Carruthers, Vickie C. Cunningham, J. Randy Gustafson, Melissa O. Reynolds, Angela R. Thacker, *et al.* "The State's Economic Outlook: January 2012." 12. Knoxville, TN: University of Tennessee Center for Business and Economic Research, 2012.

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