









TRICKLE DOWN AND LET THE MARKET'S DECIDE

- ❖ A little knowledge is a dangerous thing.
- ❖ Free markets ≠ perfectly competitive markets
- ❖ Perfect competition:
 - Consumers: well informed, many, no ability to influence prices
 - Producers: many, no ability to influence prices, no barriers to entry
 - Other: no externalities, no transactions costs, etc.
 - Healthcare is 15% of GDP: lack of knowledge, barriers to entry, etc. etc.

TRICKLE DOWN AND LET THE MARKET'S DECIDE

- ❖ Business through the economists eyes – take what's available, create something people are willing to pay enough for. Prefer high prices, low costs.
- ❖ Use what's there, but where did it come from
 - Natural resources
 - Human resources
 - Public goods



FALLACY OF COMPOSITION

- ❖ Reducing wages increases profits
- ❖ Bid for skills (senior management, sports)
- ❖ Complain about skills (lower level management, blue collar)
- ❖ Assumption of consumer income
- ❖ If all wages are cut...

ECONOMIC DEVELOPMENT POLICY APPROACH

❖ If a man is not to do more harm than good in his efforts to improve the social order, he will have to learn that in this, as in all other fields where essentially complexity of an organized kind prevails, he cannot acquire the full knowledge which would make mastery of the events possible. He will therefore have to use what knowledge he can achieve, not to shape the results as the craftsman shapes his handiwork, *but rather to cultivate a growth by providing the appropriate environment*, in the manner in which the gardener does this for his plants.

F.A. Hayek (*Full Employment at Any Price?* 1975)

**BUSINESS DEVELOPMENT:
PRACTICE**

- ❖ Economic development = Business development
- ❖ Business development = Industrial Policy
- ❖ Industrial Policy = government intervention in markets
- ❖ Industrial Policy = choosing favorites, what's the criteria?
- ❖ OKC Industrial Policy:
 - AAA baseball
 - Bass Pro
 - Dell
 - OKC Thunder

THE APPROPRIATE ENVIRONMENT

- ❖ Oklahoma's outcomes:
 - Teen birth rate: #7, teen pregnancy rate: #13, illegal drug use (excluding marijuana): #7, divorce rate: #6, families in poverty: #13, individuals in poverty: #15, percent of children in poor families: #13, % with BA/BS: 43rd, % with Advanced Degree: 44th, Median Family Income: 44th
- ❖ Math and science literacy – phobic opposition
- ❖ Entrepreneurial opportunities – subsidized existing large companies
- ❖ Defunding education, blaming the teachers and public education
- ❖ Sorry infrastructure (roads, highways, bridges)
- ❖ A culture of networks, not ability
- ❖ Return to oil dependence (extraction based economies and social networks)

WHAT TO DO? POLICIES

- ❖ Education matters, particularly in the “hard” stuff
 - Parents and hysteresis
 - Schools:
 - Not the building
 - The teachers
 - The beatings will continue until morale improves
 - One size fits all, badly
 - You get what you pay for

WHAT TO DO? POLICIES

- ❖ Infrastructure matters, pretty doesn't
 - Roads that work
 - Water that's reliable
 - Safety
 - Certainty of outcomes

TTFN

- ❖ Promote the GENERAL welfare
- ❖ Business development is not the same as economic development
- ❖ Think of general equilibrium NOT partial equilibrium
- ❖ Education must be improved, but it's not the buildings and it isn't manufacturing worker-bees
- ❖ Economic development isn't about pretty projects
