1. Introduction: the economic redesign imperative

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Recovery from the economic crisis heralded by the COVID-19 pandemic will remain on the front burner of the economic development policy debate for a while. The pandemic triggered the most severe economic downturn since World War II, causing unprecedented disruptions in lives, economies, and societies. The virus has tested the limits of healthcare and economic systems across the world, with regional policy, supply chains, FDI, and tourism in many jurisdictions navigating uncharted waters. In the immediate aftermath of the crisis, business leaders and policymakers ramped up healthcare capacity and spending in a bid to save lives and contain the pandemic.

Since the crisis stems from a pandemic, understanding its impact on the economy and healthcare system remains critical for any interventions to deliver an equitable and resilient recovery. Unlike other economic crises in recent history, the source of the current recession is not financial. The pandemic-induced crisis is the outcome of an exogenous shock that triggered an economic crisis, with second order effects. While the scale of the economic and social disruptions caused by the pandemic is significant, with disproportionate impacts on marginalized groups, the potential silver linings in the crisis are the opportunity it presents for fixing the various ills associated with the pre-pandemic economy – in the context of structural barriers and unfair economic designs that allowed too many to be left behind. To the extent that economic growth and social inclusion are not mutually exclusive, interventions targeted at building a more inclusive economy must be centered on equity and economic mobility.

Healing the economic and social wounds inflicted by the pandemic will take time, but the long road to recovery presents a unique opportunity for regional business leaders, policymakers, civil society, and other key stakeholders to build back better. While accelerated vaccine development in the advanced and emerging economies offered a glimmer of hope for a quick recovery, new and emerging negative byproducts of the pandemic (e.g., supply-chain disruptions, labor market imbalances, and rising inflationary pressures) are prolonging the crisis, in addition to undermining recovery efforts. In the global context,
unequal access to COVID-19 vaccines in low- and lower-middle income countries remains a major challenge.

To catalyze change and succeed in the post-pandemic era, economic development policy and practice must see the crisis as an opportunity to rethink and redesign regional economic systems. Among others, this will involve creating a shared understanding of, and policies to address, the differential impacts of the pandemic across occupations, industries, and socioeconomic groups.

To the extent that it is only a matter of when – and not if – the next crisis will happen, rethinking how existing economic development tools, frameworks, and practices can be optimized has never been more compelling. Even so, there will be no easy solutions; special attention must be given to interventions capable of accelerating desirable trends that are likely to shape the next normal. This is the preoccupation of this book. The various chapters present deductive arguments for deploying cutting-edge solutions, mobilizing resources, and engaging key stakeholders on the road to building a more inclusive, equitable, resilient, and sustainable economy.

The book is divided into four parts. The introduction sets the pace with contemporary discussion on the COVID-19 pandemic, regional economic systems, and the economic redesign imperative. Part II discusses the challenges and opportunities heralded by the virus in the broadest sense – with emphasis on occupational identity and economic mobility, regional responses, and the misunderstood role of population density. Part III examines several case studies and their associated pros and cons for equitable and inclusive economic recoveries vis-à-vis childcare provision, gender equality, and the future of work debate. An unprecedented reallocation of labor and capital in favor of industries that will thrive in the post-pandemic economy is expected in the coming years; it is therefore important to choose long-term recovery strategies carefully. The implications for regional innovation ecosystems in areas such as clusters, remote work, neighborhood infrastructure, the visitor economy, sustainable value creation, and the ocean economy are unpacked in Part IV. A summary of the different chapters is provided below.

THE CHAPTERS

In Chapter 2, Jaclyn Kelly and Anindya Kundu argue that underrepresented college students continue to navigate the unforeseen adversities of the COVID-19 pandemic – ones that exacerbate the inequalities that minority and low-income populations routinely contend with. Using both qualitative data from underrepresented young people as well as a comparison of current and past employer demand data, the authors provide new insight into the economic challenges and opportunities that are these young people’s realities. To envision and subsequently achieve a more inclusive and healthy economy
for all requires not only examining how the labor market is evolving but also including the perspectives of young people who are going through important college and career transitions during COVID-19, especially as they prepare to enter the workforce. Kelly and Kundu opine that learning from such young people’s experiences is critical to better understanding the varied impacts of the pandemic and how to address them as we work toward a pathway to recovery. It is intended that this informs actionable, cross-sector recommendations for improving the conditions that lead to positive college and early career outcomes for young people who experience various structural obstacles, particularly those in urban settings like New York City, where the research was conducted.

Due to its geographic isolation, New Zealand adopted an elimination strategy in response to the pandemic. In Chapter 3, David Wilson, Patrick McVeigh, and Harvey Brookes unpack the myriad of reasons why in spite of the relative effectiveness of New Zealand’s elimination strategy in reducing transmission, it has not been without risk, unintended consequences, and social and economic costs for the geographically isolated trading nation. The authors examine New Zealand’s health and macroeconomic policies, spatial, structural and regional effects in the context of the pandemic, with five broad conclusions. First, the benefits of geographic isolation, seasonal variance, and economic structure provided time to plan and respond; second, high trust in government and health advice; third, a strong fiscal response; fourth, bespoke regional planning; and fifth, tension between “building back better” and rebuilding the economy. Wilson, McVeigh, and Brookes conclude that there have been unintended sectoral and structural economic effects due to heavy quantitative easing, but this has dampened negative effects overall.

How, and why, did population density become the urban culprit for the transmission of the coronavirus? Conventional wisdom simplifies the relationship between an area’s population density and infectious diseases down to the following: higher population density means higher cases. In Chapter 4, Yu Zhong and Bertrand Teirlinck challenge the layman’s theory of COVID-19 transmission and argue that density matters, but not that much. Using New York City data, the authors find that population density does not appear to play a critical role in the spread of the virus, contrary to widely shared belief. In addition to borough- and neighborhood-level correlation analyses associating higher population density with lower case incidence, Zhong and Teirlinck provide further insights into how international and domestic connections, timing, crowding, and socioeconomic background constitute the major drivers of an area’s case incidence. They conclude that density has been more beneficial than harmful to New York City during the COVID-19 pandemic.

Why are we still talking about “gender equality as an economic imperative” in 2021? Maximizing female workforce participation is not just a moral
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imperative; it is smart economics. In Chapter 5, Bernadette Fernandes and Herb Emery make a case for gender equality in the post-COVID economy and society. The authors contend that to the extent that COVID-19’s impacts on labor markets and the economy disproportionately impacted women, a resumption of pre-COVID-19 “business as usual” for the economy will fail any aspirations we may have for gender equality in society. Fernandes and Emery argue that the challenge of the pandemic should not be about returning to the pre-pandemic normal. COVID-19 laid bare the fragile base on which apparent economic and political gains for women were based. The most important lesson from the pandemic with respect to how we can “build back better” is to leverage the awareness of changes needed for greater economic inclusion leading to purposeful design of economic and social policies needed to achieve gender equality.

Pre-pandemic, working mothers already faced lower average wages than working fathers and non-parents, and already shouldered the burden of family caregiving responsibilities. The pandemic only exacerbated the childcare crisis; it did not create it. Leveraging a novel dataset by Upfront augmented with publicly available datasets to calculate demand–supply gaps in childcare provision in New York City, in Chapter 6, Melissa Pumphrey and Poorvi Goel analyze the impact of COVID-19 on the childcare market. The authors find stark disparities of access in center-based care for children under three, with more access concentrated in wealthier neighborhoods and greater prevalence of home-based care in less affluent areas. Pumphrey and Goel examine market failure sources in childcare provision, along with industry challenges. The channels through which the dual impacts of COVID-19 and caretaking responsibilities impact families, as well as the associated impacts on businesses, tax revenues, and the path of economic recovery are succinctly captured.

In Chapter 7, Swati Ghosh and Louise Anderson revisit the future of work discourse, albeit in an inclusive workforce development context. The authors explore trends in employment, automation, and their impacts on communities of color, and then highlight strategies in which economic development organizations (EDOs) in Dallas and Minneapolis-St. Paul are helping workers prepare for and connect to higher-skill, in-demand jobs. Triggered by the pandemic, Ghosh and Anderson opine that workforce trends in automation and digitalization will continue to eliminate low-skill jobs – and as this happens, displaced workers, who are overrepresented by people of color, increasingly need digital skills to get the good jobs of today and the future. They conclude with four suggestions for EDOs interested in advancing the workforce development efforts discussed: actively seek opportunities to address the needs of workers of color; prioritize existing regional demand for workers, with an eye on future demand; foster greater engagement between education/training
providers and businesses; and promote the value of investing in a diverse workforce to regional businesses.

The labor theory of value has deep roots in both classical, free-market economics and traditional Marxism. In the neoclassical tradition, labor’s marginal productivity and the price of its output are the key determinants of the demand for labor. Though largely theoretical, this has implications for labor access. The cyclicality of the labor share of output, especially following a recession, has received considerable attention in the literature. Among others, uncertainty and structural factors perpetuate wage depression in the aftermath of a recession. Contemporary evidence on the labor market effects of the pandemic, based on changes in labor costs, shows that low-wage, essential workers are worse off. In Chapter 8, Jeffrey Dykes, Billy Leung, and Fred Olayele examine the effect of decreased labor access resulting from fewer employees being available for in-person work, based on the unique industry makeup of the region in which work is located. Based on simulations in which each industry is assigned an Effective Potential – which ranks how well workers in a particular industry can perform tasks remotely – the authors derive a Labor Access Index policy variable which estimates the effect of access to labor choice and individual characteristics by occupation and industry on labor productivity. Since it has the greatest ability for workers to perform functions remotely, Dykes, Leung, and Olayele find that the finance and insurance industry experiences the smallest decrease in labor access at 24 percent, while the accommodation and food services industry witnesses the largest decrease at 92 percent. The implications of the results for policy are discussed, in the context of creating a more equitable labor market that unlocks the potential of more segments of society – especially historically marginalized demographics.

The history of government’s impact at the neighborhood level is mixed, with the legacies of redlining, location selection for major highways, and discriminatory lending still visible today. In Chapter 9, Kyle Marks and Joyce Jauer argue that governments can use infrastructure and services to address inequalities and injustices through equitable provision of public transit, public parks, public libraries, and broadband infrastructure – which are vital tools for creating cities in which ZIP codes do not determine residents’ economic outcomes. The authors advance the Critical Infrastructure and Services (CIS) framework to understand urban vulnerability through a neighborhood lens. By creating a single index value based on a weighted average of vulnerability across 12 variables, Marks and Jauer offer insights into which neighborhoods are most vulnerable through the lens of the CIS domain. They find that lower CIS vulnerability at a neighborhood level is associated with higher rates of air pollution, a higher share of the population age 25–39, and a higher share of the population born in a U.S. state other than New York. Through these and other
findings, the implications for economic development policy, in the context of key demographic, environmental, and investment variables, are discussed.

In Chapter 10, Ifor Ffowcs-Williams cautions that building regional economies demands a focused approach, especially after external shocks such as COVID-19. To the extent that sectors and their businesses are not equal in terms of transformational potential, a starting point is within the traded side of a region’s economy. The author explores how cluster development initiatives across Europe, and globally, have been able to assist businesses in responding with urgency to the pandemic – along with how resilient initiatives pivot to other challenges, addressing equitable growth, the circular economy, digitalization, evolving technologies and markets. Broad portfolios of needs-driven projects are the cluster initiatives’ engine room, and resilient initiatives focus on endogenous growth, with investment attraction as a fill in. Ffowcs-Williams explains the roles of clusters as enablers and platforms, how resilient organizations integrate a clutter of piecemeal support from government agencies and academic institutions, and the nuances of facilitating change from agglomeration clumps to a co-opetition culture amongst businesses. Forward agendas include addressing critical issues with mission-type collaboration are covered, in the context of developing resilient clustering initiatives.

Prior to the advent of COVID-19, high profile destinations were more concerned about overtourism and the impacts on destinations and quality of life. The pandemic has fully exposed the fragility of the global visitor economy, and the dependence countries have placed on deriving benefits from tourism industry investments. In Chapter 11, Fergus Maclaren and Bartomeu Deya Canals explore the concept of sustainable tourism, its emergence and application over the past 30 years, and the new focus of the global tourism sector on a tandem recovery approach of sustainability and resilience. The authors argue that many popular destinations had been suffering under the weight of “overtourism,” impacting local environments and quality of life, while also causing economic leakage to external businesses. A key example of this is Mallorca, a popular mass tourism destination which was being overwhelmed by visitors and was moving toward more high value and low impact forms of tourism. The pandemic accelerated these sustainable tourism initiatives and the Mallorcan response can serve as a useful case study for destinations trying to evolve and become more resilient in response to socioeconomic, environmental, and cultural challenges. Maclaren and Canals support practices and policies that foster a more sustainable and resilient visitor economy which balances out its risk exposure to tourism, while branching out into other sectors such as agriculture, traditional crafts, and longer-term experiences.

In Chapter 12, Fred Olayele underscores the innovation imperative for sustainable value creation in Canada’s ocean economy. The ocean innovation economy cuts across many sectors and derives its primary value from
digital technologies, the availability of top talent, startup and growth capital, intellectual capital, creativity, the presence of large firms, and a robust ecosystem that can connect startups to programs and funds for expansion. With abundant ocean resources and deep capabilities, Canada is a global leader in coastal and marine sciences, technology, and innovation. While this presents a huge opportunity, both commercially and in terms of its ability to influence the new global political economy, its lackluster performance on labor productivity growth in the last two decades, compared to its southern neighbor, remains a source of concern. Olayele argues that insofar as much of this lagging performance is due to sub-par innovation outcomes, mainly due to multifactor productivity gap, the case for deepening Canada’s innovation economy by bringing together industry, research, investors, government, and Indigenous stakeholders remains compelling. This model underpins the Canadian innovation superclusters, anchored on robust private-public partnerships, with transaction costs at the core of the institutional design. This chapter explores these issues and draws lessons for policy and business modernization vis-à-vis unlocking value in the marine economy.