

# Economic Development 101

## *The Value of an Effective Economic Development Organization Like St. Croix Economic Development Corporation*

### **Q What is Economic Development?**

**A** *Economic development is the process by which a community (or region) organizes and then applies its energy to the tasks of improving the economic well-being and quality of life for the geographic area. Economic development is a long-term investment of time, people, limited resources and skills.*

### **Q Why Should the Public and Private Sectors be Concerned about Economic Development?**

**A** *Economic development helps pay the bills. Economic development is about working together to maintain a vibrant economy by creating and retaining desirable jobs. Good jobs provide a higher standard of living, which impacts the tax base. This means a community, a county, a region or state can provide the level of services its residents expect.*

### **Q Does Economic Development Really Matter?**

**A** *A local area needs economic development to help pay for many government services. Economic development helps retain and grow existing businesses, attract new business and investment, nurture entrepreneurs and encourage new business start-ups. Job growth in manufacturing, technology and business services brings new dollars into a community and region. New dollars invested and spent in a community generate more economic activity, creating a multiplier effect. The higher the multiplier, the greater the impact on the local economy. Studies have shown the multiplier for manufacturing falls in the range between 1.5 and 2. This means the total community impact of new dollars or jobs can be up to double the amount of the original investment.*

### **Q What is the Economic Impact of Gaining or Losing Jobs?**

**A** *The value of gaining or losing jobs can be estimated by the direct, indirect and induced economic impacts of that gain or loss on the economy. Direct effects are the changes in economic activity during the first round of spending. These represent the impacts, such as the change in employment, for the expenditures and/or production values. Indirect effects are the changes in sales, income or employment within a region due to the linkage of businesses supplying goods and services. Induced effects represent impacts, such as the change in employment, on all local businesses caused by the expenditures of new household income generated by direct and indirect effects.*

*If positive impacts are felt by job creation, the reverse is also true. Job loss has a negative impact on the economy.*