

Our Human Capital Shortfall: Symptom of a More Significant Shortfall

Coastal Georgia Center for Economic Analysis and Student Research

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Don Mathews, Director and Professor of Economics

The Center's February 2014 study, "Human Capital and Labor Force Participation on the South Georgia Coast," showed that our region has a significant shortfall in human capital—that is, in the knowledge and skills of its labor force. The human capital shortfall harms the region in several ways. The shortfall:

- makes for less productive workers and a less productive economy
- depresses wages: average weekly wages are 25 percent lower on the South Georgia Coast than in the U.S. as a whole
- depresses labor force participation: the region's labor force participation rate is 10 percent less than the nation's labor force participation rate
- makes local businesses less competitive: low worker productivity inflates the production costs of local firms
- discourages firms outside the region from locating operations in the region.

Unfortunately, the problem is worse than these effects. The South Georgia Coast's human capital shortfall is likely a symptom of a more significant shortfall.

Economic Development and the Passion to Discover, Create, and Build

Why do some economies grow and develop while others lag behind or stagnate?

Many factors contribute to the economic development of a region. One is a generous endowment of natural resources. But plenty of places rich in resources are laggards in development, and plenty of places with modest natural resources are leaders in development.

Labor and capital are obviously necessary for economic development. But from where do the labor and capital come? If from outside the region, what draws them to the region? If capital accumulates within the region, what causes the endogenous increase?

Institutions, laws, and government policies also affect economic development: some institutions, laws, and policies are more conducive to development than others. Yet within the U.S. — a country with institutions, laws, and policies that are generally quite favorable to economic development — one finds local and regional economies that share essentially the same set of institutions, laws, and policies yet have very different records of economic development. Some are perennial development leaders, some perennial laggards; some were leaders but are now in decline, some were laggards but are now on the rise and catching up quickly.

So, though resources and institutions are clearly important for economic development, there is an even more fundamental driver of economic development. What is it? What is the spark that ignites the process of development and the fuel that enables it to persist?

The most fundamental driver of economic development is an attitude, a perspective, an approach to life. It is the passion to create, to build, to make new, and make better. It is the passion to discover new ideas, new tools, new ways of doing things, and new things to create. The passion to discover, create, and build is the primary source of new businesses, expanding businesses, new and better products, new and better methods of production, innovative public investment — and economic development.

It may seem odd that the most crucial driver of economic development is a particular approach to life. But the claim here is no mere assertion or speculation. It is an economic lesson demonstrated over and over again.

The passion to discover and explore new ideas; to create, build, make new, and make better is a passion often identified with entrepreneurship. Rightly so. Entrepreneurs are driven by more than the desire for wealth and profit. They are also driven by the passion to discover, innovate, create, and build. And their new ideas, new products, new methods of production, and new forms of organization change the world.

But the passion to discover, create, and build is not confined to entrepreneurs. The same passion also drives people's decisions to acquire knowledge and skills.

People who invest in knowledge and skills seek to enrich their lives and the world they live in. They are not small-minded about what they can achieve and what they can contribute. They recognize that work is creating and building. And in the make-up of the most productive workers is a passion to learn.

Entrepreneurship and human capital investment are thus intimately related. Each is driven by the passion to discover, create, and build. The two go hand-in-hand: an economy with a labor force that routinely makes significant investments in human capital is invariably an economy in which entrepreneurship thrives; an economy with a shortfall in human capital invariably suffers from a shortfall in entrepreneurship, as well.

Let's be direct: when the passion to discover, create, and build pervades a community, persistent and endogenous economic development is a natural consequence. When the passion is lacking in a community, economic development invariably lags behind.

Culture and the South Georgia Coast

It is difficult to avoid the conclusion that the passion to discover, create, and build is lacking on the South Georgia Coast. The region has a human capital shortfall. It also has a shortfall in entrepreneurship. In the region's more rural counties, the human capital and entrepreneurial shortfalls are dire.

The region has some extraordinary resources. It has an ocean and nice beaches that attract tourists. It has a commercial port. It has a naval submarine base. It has a four-year College.

And yet, economic development on the South Georgia Coast lags well behind that of much of the nation. The economic development lesson for the region is clear. Having an ocean and nice beaches is not enough. Having a commercial port and a naval submarine base is not enough. Having all that and a four-year college is not enough. For the region to catch-up and begin to develop persistently and endogenously, more is required.

What is required is a shift in culture. Communities that develop persistently and endogenously are communities in which the passion to discover, create, and build is firmly embedded in the culture. Such communities embrace innovation and are ever looking for ways to make the community new and better. They are never satisfied with the status quo.

The South Georgia Coast has shown flashes of the passion to discover, create, and build. An example is the transformation of the College of Coastal Georgia from a timid community college to an engaging, entrepreneurial four-year college. The transformation demonstrates what the region is capable of. But such innovative and entrepreneurial efforts are too few and far between.

How can a culture change? How can the passion to discover, create, and build become embedded in the culture of the South Georgia Coast?

No institution is better suited or better situated to help change the culture of the South Georgia Coast than the College of Coastal Georgia. Thanks to outstanding leadership, the community helped reinvent the College of Coastal Georgia, and in doing so took an important step toward correcting the region's human capital shortfall.

But the College can also be a force of cultural change. It can demonstrate to its students and the community just what the passion to discover, create, and build is and what people who have such passion are capable of achieving.

To move the culture, the College must be relentlessly innovative and entrepreneurial. It must be innovative and entrepreneurial internally, in the way it structures itself and functions as an organization, and it must be innovative and entrepreneurial externally, in the community and the region. It must create and seize opportunities to make the region a better place. Above all, it must demonstrate with action. Talk is cheap. Talk without action moves only air.

Innovative public investment can also change the culture of the region. Glynn County's "gateways" — the stretches of highway leading to Brunswick and St. Simons Island — are, to put it mildly, exceptionally ugly. The City of Brunswick has a pretty downtown, struggling for new life, that sits on a beautiful river with glorious views. The beauty of its location is one that few cities in the world can match. Yet it has no riverwalk.

Aesthetics matter. The type of public investment a community undertakes — or fails to undertake — says a much about a community. The state of Glynn's gateways and the absence of a riverwalk in downtown Brunswick harm the quality of life in the community. They also say much about the community. What they say is not good.

Beautifying the gateways and building a worthy riverwalk would greatly improve the quality of life in the community. It would also be crystal clear, tangible evidence that this is an entrepreneurial community with a passion for making itself better.

Ultimately, cultural change comes from individuals. In our case it will come when people of the South Georgia Coast decide that living with the passion to discover, create, and build, the passion to make new and make better, is a better way to live.