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ECONOMIC DEVELOPMENT: PRIVATE ENTREPRENEUR-PUBLIC SERVANT PARTNERSHIP

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A few weeks ago, two correspondents in these pages crossed swords over the role of the private entrepreneur and the public servant in economic development. Both were right for what they included in their comments. Both were wrong for what they omitted. And both glossed over the role of two other key agents in economic development: bankers and investors.

One pending development issue and one failed attempt help drive home the point that a public-private partnership often is necessary for success in economic development. The issue pending before the Monroe city government in which local developer Hakim proposes a plan for development that calls on the City to make certain accommodations suggests a partnership in the making which if it succeeds holds forth the promise of benefits for both parties. The effort to bring Union Tank Car to the Monroe area failed for lack of sufficient already in-place infrastructure that is readily available elsewhere.

The loss of the State Farm regional office reminds us that entrepreneurship has a downside that is captured in the well-known though sometimes overlooked term “creative destruction.” State Farm innovated a change in the way the company organizes its business and delivers services to its customers that protected the financial gain necessary for its continued operations but called for transferring the tasks that for years were carried out in Monroe to State Farm facilities elsewhere. State Farm intended no deliberate harm to Monroe but in making better sense out of its own business affairs jobs in Monroe both direct and indirect plus a vital source of local tax revenues were destroyed. Entrepreneurship can be a zero-sum game. What is gained in one place (“creative”) may be lost somewhere else (“destruction”). In this regard, take note of the highly publicized partnership squabble between private businessman Tom Benson and Governor Kathleen Blanco over what it will take to keep the Saints in New Orleans.

As we indicated earlier, there are two economic agents – bankers and investors – who are key to successful economic development efforts though both were glossed over in the recent row over who matters most, the private entrepreneur or the public servant. Private enterprise depends on financial support from two main sources: banks and investors. Both expect a return on their investment and in that sense play a vital role in determining which business plans are given a chance for success and which ones are dropped before they even get off the ground. Entrepreneurs are keenly aware of their dependence on these sources of support and sometimes turn to local and state governments to help them put together a

financial package that will bring their innovative ideas to life. Notice how the westward expansion of the United States in the 1800s depended on government subsidies to make railroad service available on the frontier. Airline service across the United States today is a partnership between public agencies that operate airports and private airlines that provide service. Our modern banking system is a partnership between the Federal Reserve System that provides important oversight and support services to thousands of private commercial banks.

It is instructive to think of the entrepreneur as the pilot of an aircraft (economy) who depends on the fuel supplied by private bankers and investors, on the central banking authority to assure that the overall fuel supply is adequate, on public enforcement of aircraft maintenance standards to make certain that the plane is safe to operate, and on public air traffic controllers to watch over the aircraft in flight. The plane does not fly without the entrepreneur but it can fail in flight whenever there is a breakdown with one of the partners.

Several weeks ago the editor of the *NewsStar* spoke with great admiration for economic development in Lafayette and thereby hinted at what likely would be an important lesson for Monroe. There are at least three major stories of hugely successful entrepreneurship in Lafayette that I know of personally: Acadian Ambulance, John Chance and Associates, and Stuller Settings. All three companies started in Lafayette and stayed there. Acadian Ambulance needs no further introduction, but the other two may. John Chance and Associates, a family owned business, became an important player in the accurate positioning of drilling rigs in the Gulf of Mexico and developed and installed the first successful use of GPS to do that work more accurately. The company's success ultimately led to its sale to another firm when its founder retired. Stuller Settings is the largest producer of gold component jewelry to retail jewelers across the United States. One Monroe jeweler called Stuller Settings the "Wal-Mart of the business." Its Lafayette founder started by selling jewelry from the trunk of his car.

Monroe public officials and others with a special concern for economic development might turn their attention to Lafayette to see how development is accomplished. They probably will discover that economic development often depends on a private-public partnership.

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