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Richard Florida and James Spaniolo: North Texas is stronger together

North Texas was able to avoid the worst of the economic crisis that sent many of America's metropolitan centers reeling. But the region nonetheless stands at a critical inflection point. Along with its many strengths and competitive advantages, North Texas still has a number of economic challenges. Its major economic centers — the Dallas-Plano and Fort Worth-Arlington metro areas — can no longer afford to compete against one another or chart their separate destinies. North Texas will be more competitive and its economic future stronger by working together.

The University of Texas at Arlington and the Creative Class Group have been leading an effort involving regional stakeholders including major chambers of commerce; local elected officials; Vision North Texas; community and civic groups; and UTA faculty, staff and students. Part of our collective effort since fall 2010 has included analyzing and benchmarking the region's competitive advantages and disadvantages — compiling a wide array of leading indicators and data-driven analysis that can help to inform a broad conversation about the path toward a sustainable, shared prosperity.

The region has accomplished plenty and has much to be proud of. North Texas ranked first of all metropolitan areas in the nation in job creation during 2010 and 2011. All of the jobs lost during the recession have been regained. Many other metropolitan areas in parts of the Sun Belt, as well as the Rust Belt, are expected to take until 2020 to recover.

The region's housing market also has held up relatively well. It never got caught up in the bubble. While it's true that North Texas never saw the massive run-up in prices experienced in places like Miami and Las Vegas, it also did not face a tumultuous crash. Prices remained relatively stable, and the region achieved the fourth-highest level of appreciation in the nation last year.

While unemployment remains high by historical standards, the region's rate is low compared with its peers'. But North Texas must redouble its efforts to create and sustain good jobs.

The competition is global

The nation and the world are in the midst of a great economic reset that is influencing and reshaping cities and regions in the global economy. The rise of Brazil, Russia, India and China — and other so-called emerging economies — has fundamentally altered the nature of global economic competition.

Cities and regions — not just nations — have become central actors on the global stage. Consider that the world's 40 largest mega-regions, which account for less than 18 percent of the world's population, produce two-thirds of all global economic output and 90 percent of its technological innovations.

The consequence is that Dallas is not competing against Fort Worth — or Arlington or Houston or Atlanta, for that matter. North Texas is competing against other increasingly large and powerful regions around the world.

Fortunately, North Texas has both the size and scale needed to compete effectively. When combined, the municipalities in North Texas constitute a huge economy. With annual economic output of more than \$375 billion, it is the sixth-largest metropolitan area in the United States and one of the largest in the world. If it were a country, it would be among the world's top 40.

North Texas is a key hub in an even larger mega-region that includes San Antonio, Austin and Houston. The Texas Triangle has a combined population of 17.3 million people and an economic output of \$988 billion, larger than that of Saudi Arabia and Switzerland combined.

Economic clusters

Perhaps the single most important finding of our analysis bears on this: It is a big mistake — and a gross strategic misstep in the long run — to look at the region's cities as competitors. The fact of the matter is they are not. The two major economic centers comprising North Texas — Dallas-Plano and Fort Worth-Arlington — are made up of distinct economies, or economic clusters, with distinctive and complementary strengths.

Many leading economists agree that clusters of economic activity drive economic growth. Such clusters are characterized by anchor institutions, end users, suppliers and thick labor markets. They are the font of innovation, productivity improvement, competitiveness, better jobs and higher wages. The North Texas clusters are both productive and complementary to one another.

The Fort Worth-Arlington cluster has tremendous strengths in manufacturing, transportation and logistics. The corridor's world-class Dallas/Fort Worth International Airport is key to the region's national and global connectivity. In a global economy where goods and services are traded at rapid speeds, a strong logistical node is a competitive asset that cannot be underestimated.

In the new global economy, connectivity is critical. D/FW Airport has played a signal role in making Texas the first U.S. state to record \$100 billion-plus in trade with a foreign nation. World warehousing, transportation and distribution are among the industrial sectors that are most immune to offshoring. For a region like North Texas, this is essential for job creation and economic growth.

The Dallas-Plano cluster's core strengths also are distinctive, adding a technological edge. The corridor leads in information technology services, telecom, business and professional services, and defense and security. Its share of information technology and telecom alone is more than two times the U.S. average, employing more than 16 percent of the region's workforce. Dallas-Plano's design and advertising clusters are growing, too, expected to grow by 137,000 workers by 2018, adding to an already strong professional services base. Taken together, these two major clusters give the region key strengths in technology, logistics and connectivity, which together are key to build upon for future global success.

Wanted: talent

The economy of the future will increasingly be driven by knowledge, creativity and innovation. North Texas has a number of core strengths, but it must do more in several areas.

First, the high points: The region's number of high-tech businesses is 23 percent higher than the average for a comparable-size U.S. metro area. Its high-tech employment exceeds the national average by 28 percent.

The region ranks fifth in terms of entrepreneurs, and it is well supplied with venture capital. Its level of innovation, as measured by patents, is on a par with places like Washington, D.C., and Chicago, though significantly behind technology giants like San Francisco and Seattle.

But the region faces a significant talent gap. North Texas ranks only 27th among 51 metro areas of more than 1 million people in workers who hold a bachelor's degree or higher. The region also is 27th in the percentage of its workforce in the creative class — the scientists and engineers, university professors and artists, designers and architects, and professionals in business and medicine who earn higher wages and salaries and power economic growth.

These gaps stem from one larger and more significant challenge. For decades, North Texas has thrived as an important magnet of skilled, talented workers — what economists call human capital.

The region's affordable housing, superb connectivity and thriving job market have allowed it to import talent from other regions as well as from abroad. It is one of a precious few large regions that has been able to do so. And it is a very risky strategy for the future.

The fact of the matter is that North Texas has done incredibly well in the short run, while missing the most critical ingredient of a thriving, high-tech, knowledge-economy center. What links the world's greatest high-tech and creative regions — from Silicon Valley to greater Boston to the North Carolina Research Triangle to Austin — is a great nationally recognized research university. Or *multiple* great research universities.

Silicon Valley draws much of its intellectual energy and strength from nearby Stanford University. The Boston area's high-tech centers owe much to the Massachusetts Institute of Technology and Harvard University. And the Research Triangle is fortified by Duke University, the University of North Carolina and North Carolina State University.

North Texas is rich in universities, but it needs to invest much more to create a research enterprise of the first order. The region's research and science cluster is well below the U.S.

average, by nearly 30 percent, and its education sector is 13 percent below national levels. This will hamper North Texas' ability to compete on a national and international level.

Closing the research gap

Fortunately, there is a good base to build on. North Texas is home to more than 300,000 students attending local colleges and universities, such as UTA, the University of Texas at Dallas, Southern Methodist University, Texas Christian University, the University of North Texas and area community colleges.

The region's universities and colleges are working hard to close the research gap. At UTA, for example, research activity has more than tripled during the past six years to more than \$66 million last year. Across North Texas, universities have ramped up advancements in bioengineering, advanced nanotechnology and robotics, high-energy physics and chemistry, among many other disciplines.

UTA's Center for Innovation, for example, has launched a partnership with the Arlington Chamber of Commerce to move technology developed within universities and federal agencies, including the military, to the market. Between 2005 and 2008, UTA ventures brought in more than \$185 million in research and development.

UTD is working with scientists, mathematicians and designers around the world to ensure that leading nano science and research is commercialized. SMU faculty and students are partnering with the private sector to respond to industry needs and educate the next generation of manufacturing engineers and researchers. And TCU's Energy Institute is making important contributions in the areas of emerging technologies and alternative resources, including natural gas shale fields.

These are just a few of many examples.

Strong universities anchor the knowledge-driven economy. They are the sources of new technology, and they develop and attract talented and skilled workers, inventors and entrepreneurs. In the most successful high-tech regions, the boundaries between the university and community blur together.

North Texas will grow stronger as its civic, corporate and educational leaders enhance their efforts to work together and leverage the region's complementary assets and strengths. It is time to take regional cooperation — and regional success — to the next level. North Texas needs more crosscutting institutions and mechanisms for cooperation and collaboration. These should develop organically from existing entities that already are doing tremendous work.

In the spiky world of the future, greater competitiveness will turn on the greater cooperation and coordination of regions. North Texas is stronger together and can dramatically improve its economic prospects, create better jobs and guarantee a broader shared prosperity by taking the steps to ensure greater regional cooperation.

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