

# A Significant Test of Economic Adaptivity

**Positioning Arizona for a Stronger Comeback**

Morrison Institute for Public Policy  
State of Our State: 2020 Virtual Convening

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# Fragile

**“The quality of being easily broken or damaged”**

—The Oxford Dictionary

# Resilient

**“the capacity of a system to absorb disturbance and re-organize while undergoing change so as to still retain essentially the same function, structure, identity and feedbacks”**

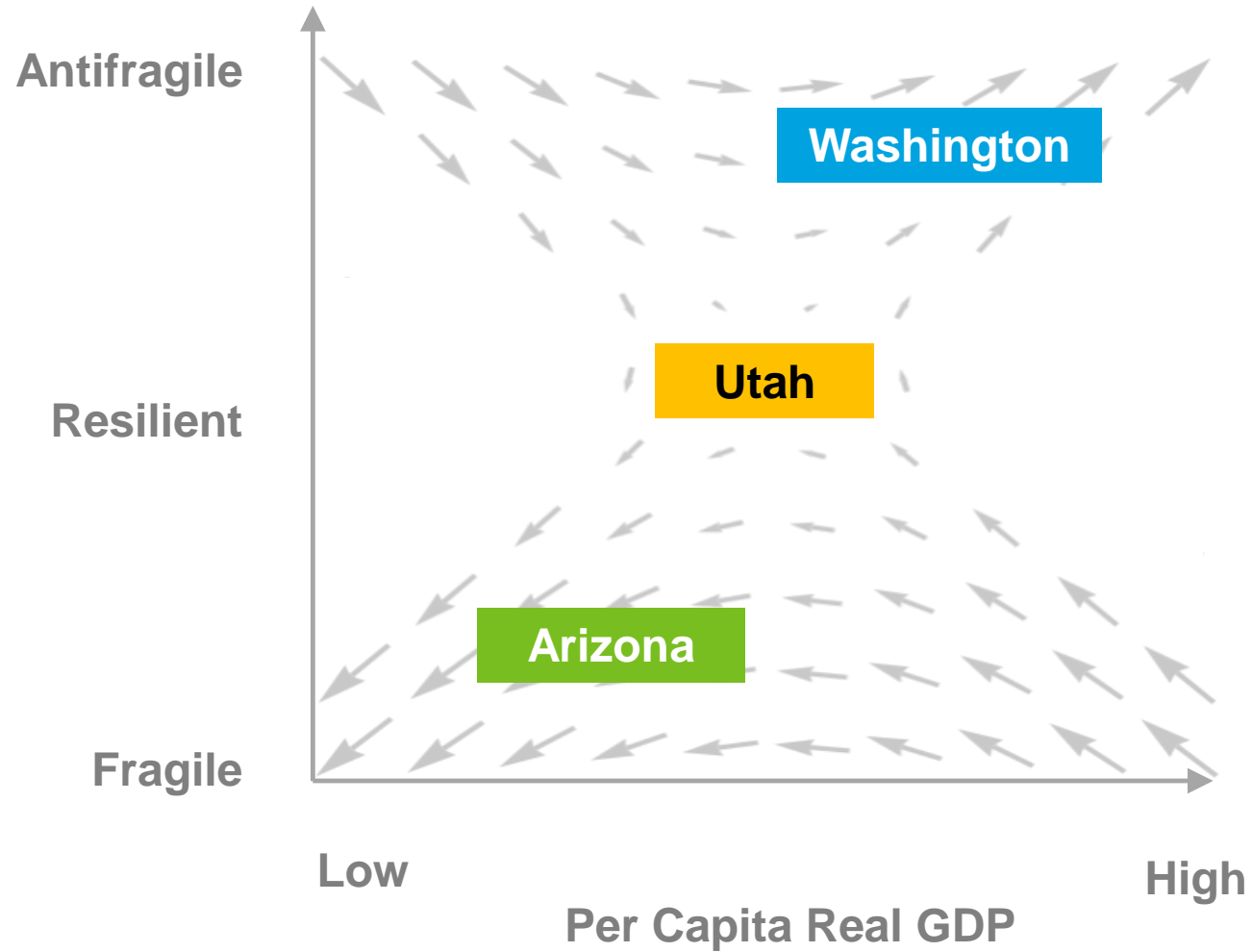
—Walker et al., *Ecology and Society*, 2004

# Antifragile

**Something that “thrives and grows when exposed to volatility, randomness, disorder, and stressors and loves adventures, risk, and uncertainty”**

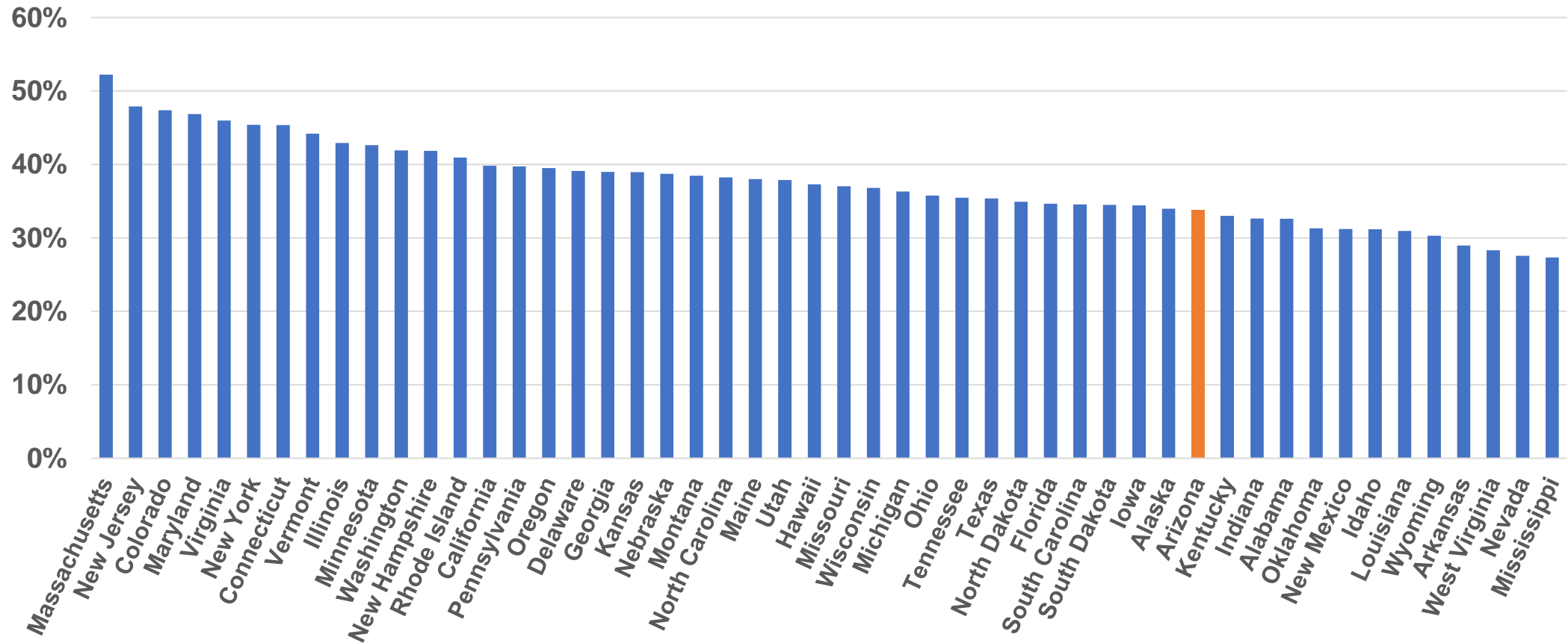
—Nassim Taleb, author of *The Black Swan*, 2007

# Fragile, Resilient, and Antifragile State Economies



# Education Builds Antifragility by Enhancing the Productivity, Creativity, and Flexibility of the Workforce

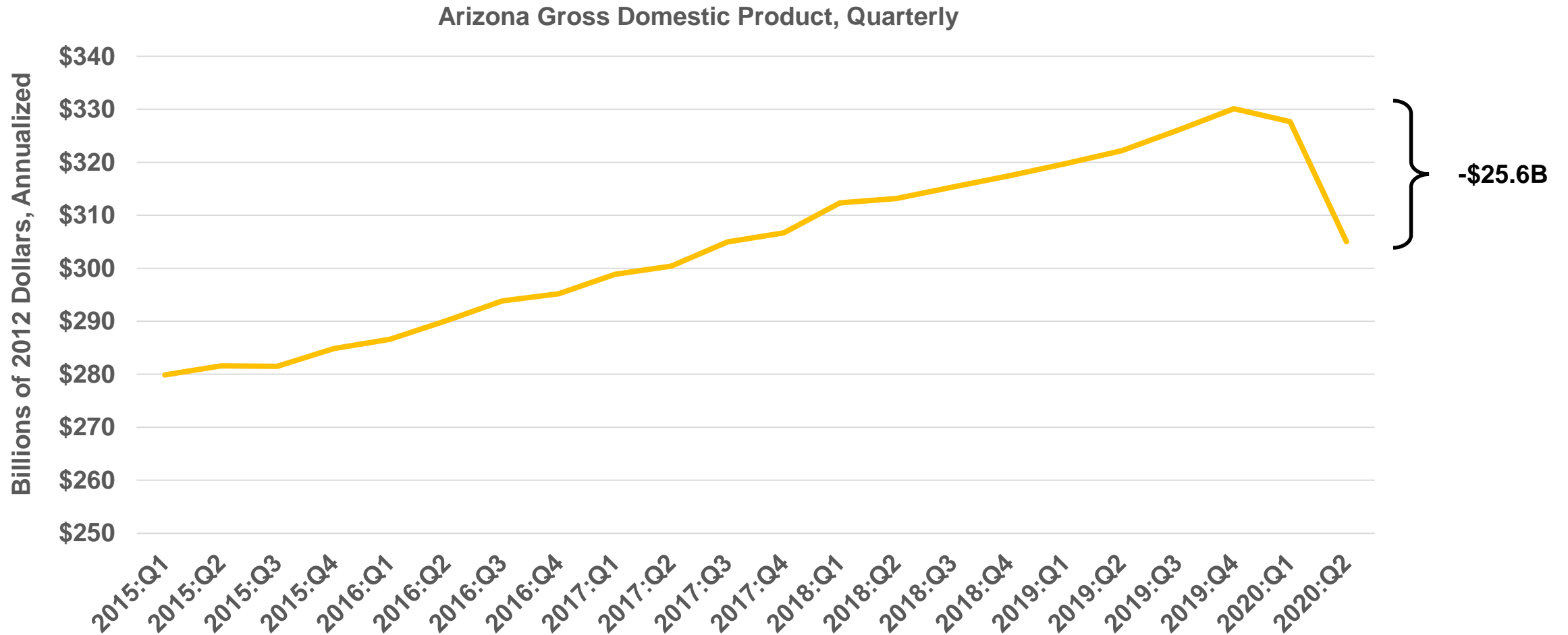
Percentage of Employed People with a Bachelor's Degree or Higher, 2019



**The State of the**

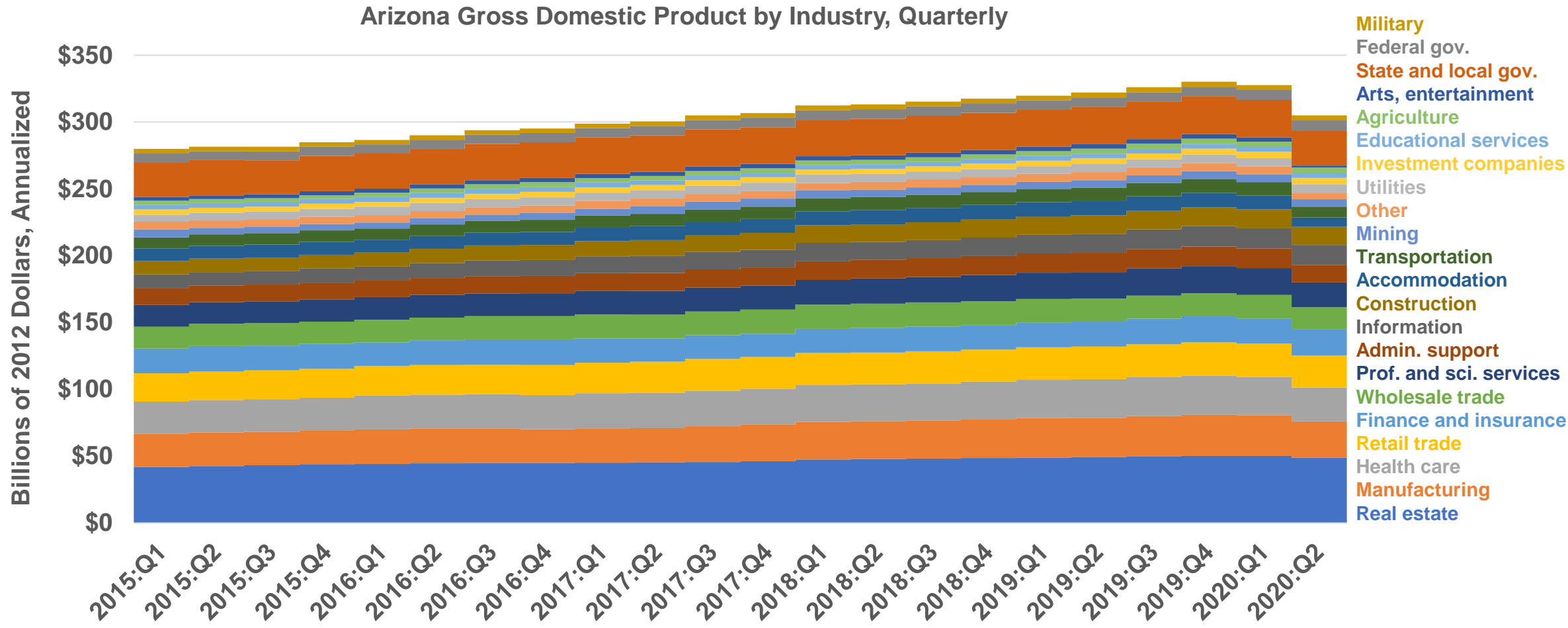
**Arizona Economy**

# The Arizona Economy Contracted by \$25.6 Billion from 2019:Q4 through 2020:Q2



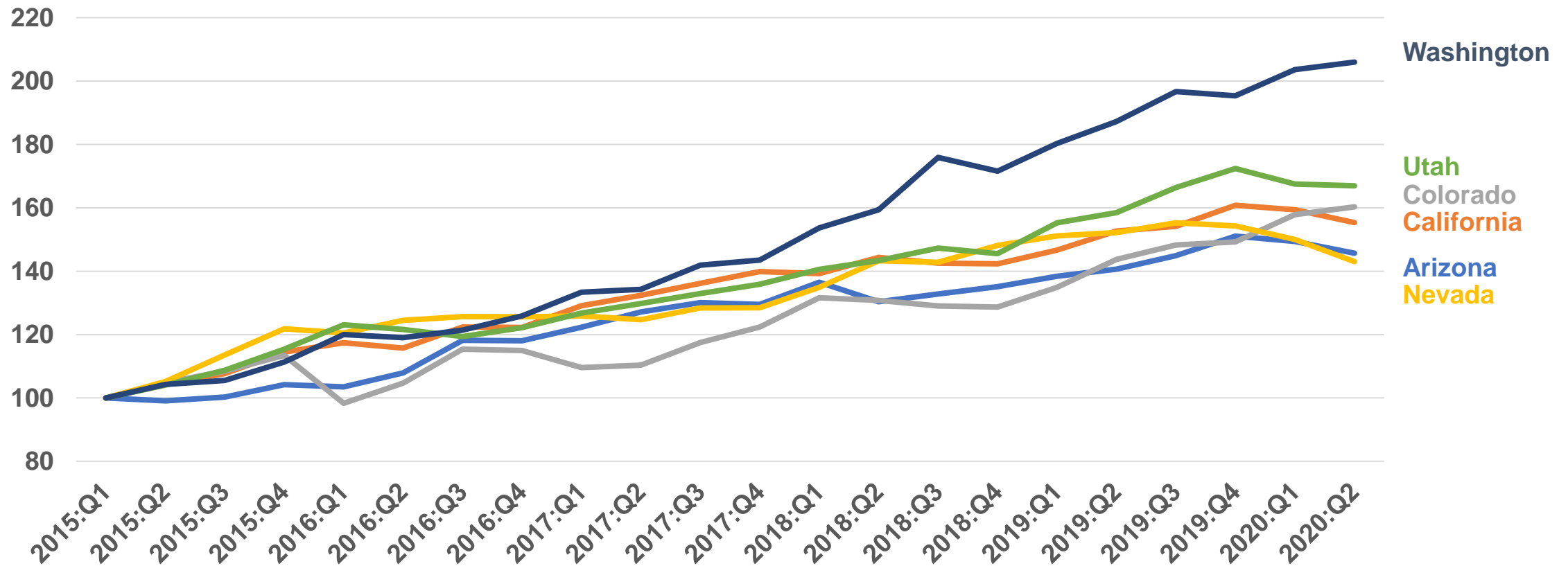


# Economic Output of Every Non-Government Sector Shrank Except Agriculture and Investment Companies



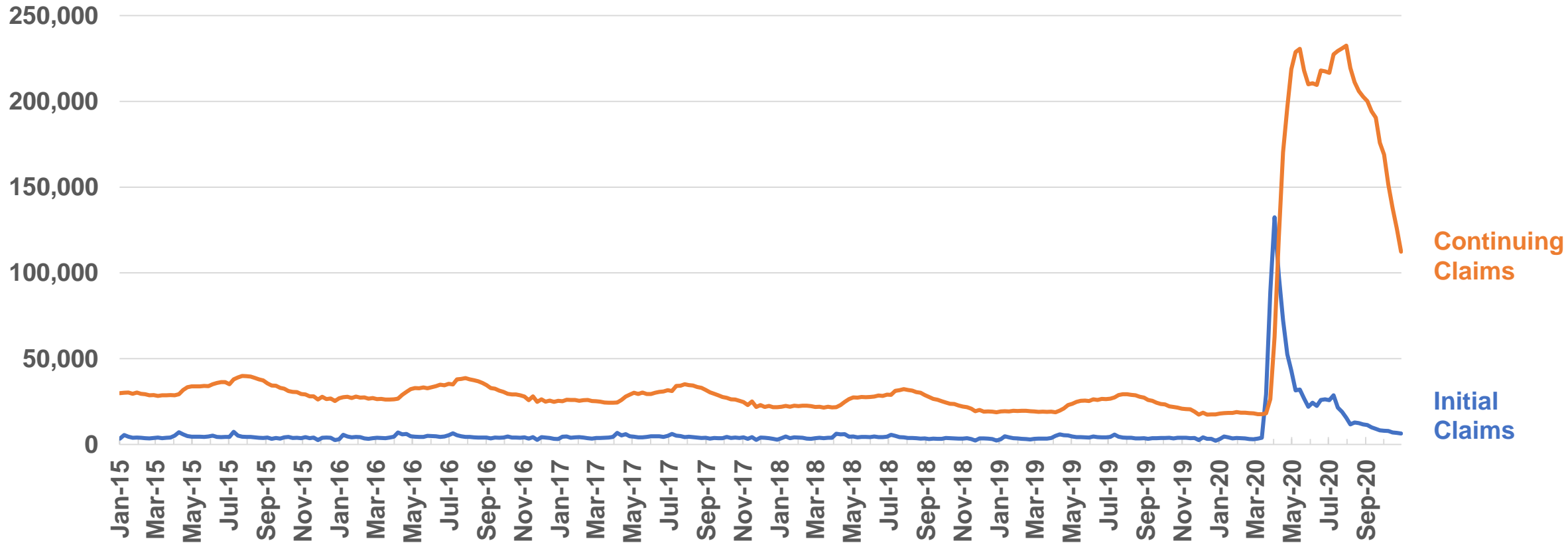
# World-Leading Sectors in Antifragile State Economies Are Still Growing During Pandemic

Economic Output of Information Sector, Quarterly Indexed to 2015:Q1

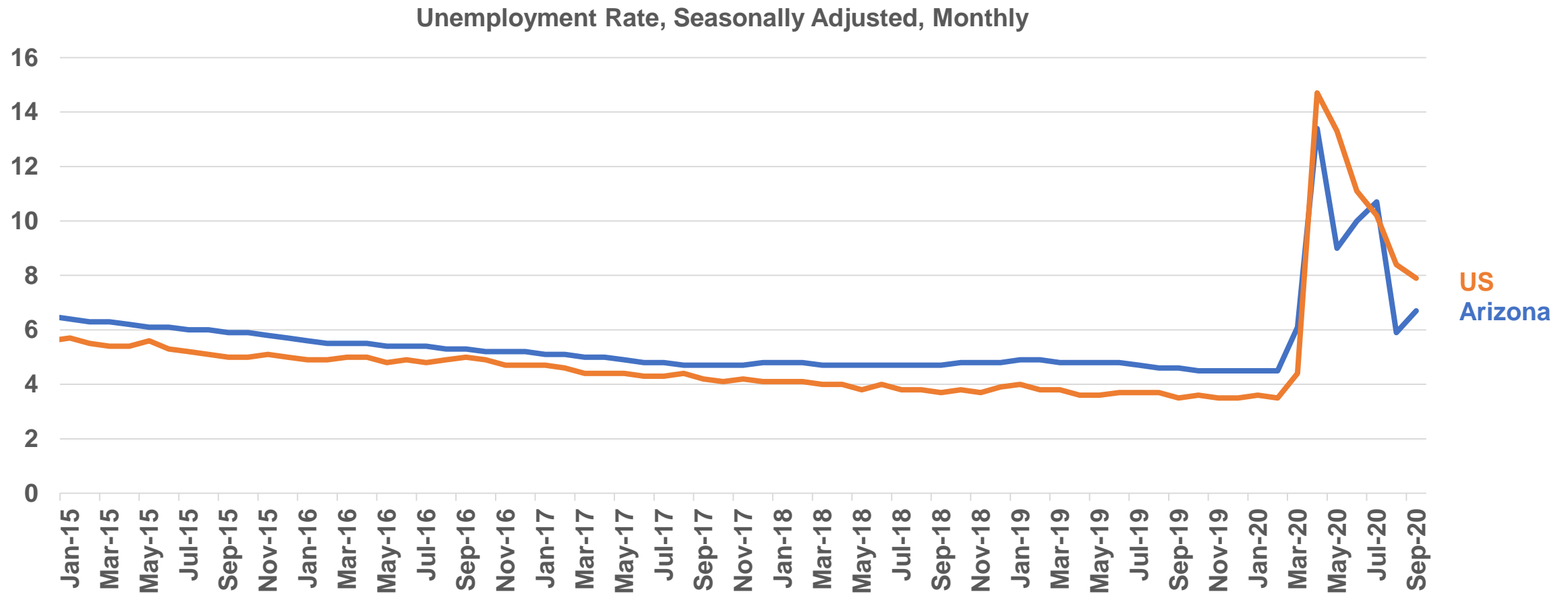


# New Unemployment Claims Are Currently Double the Long-Run Average While Continuing Claims Remain Elevated

Arizona Unemployment Claims, Weekly

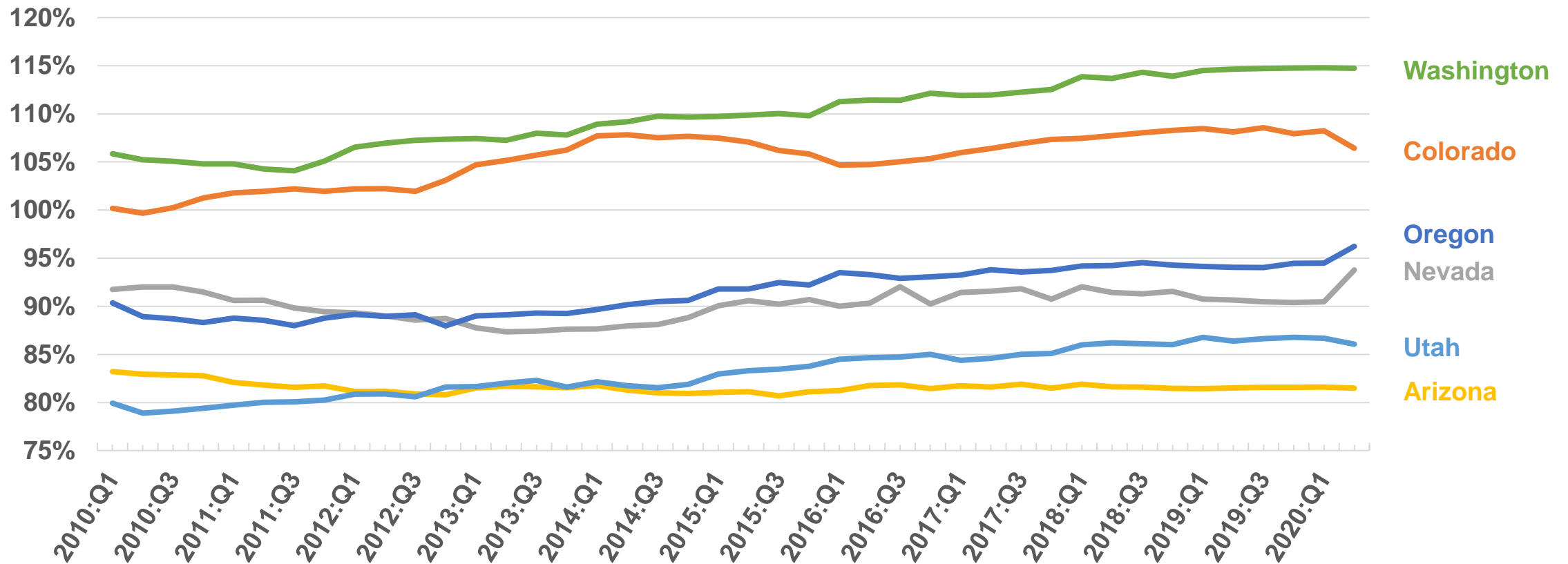


# The Arizona Unemployment Rate is Currently 1.2 Percentage Points Lower than National Average



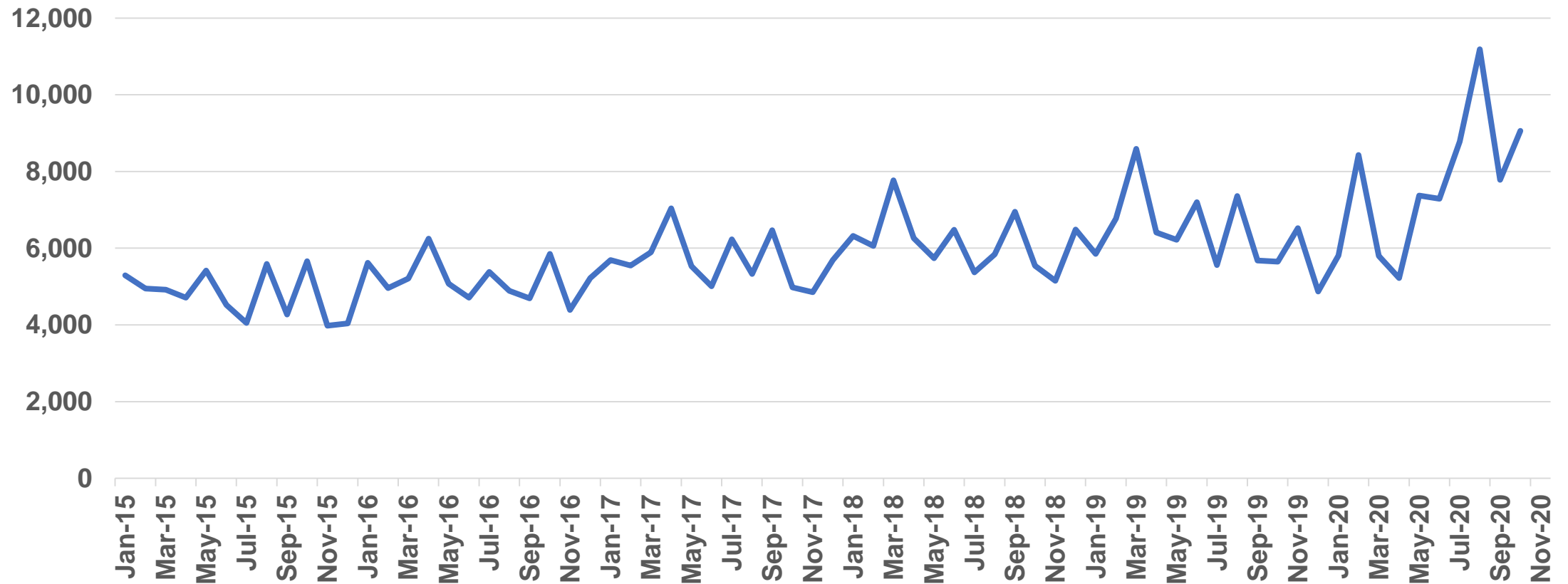
# Expanded Eligibility for Unemployment Insurance Has Stabilized Personal Income in Fragile State Economies

Per Capita Personal Income Relative to US Average, Quarterly



# Arizona New Business Formation Hit All-Time High in August 2020

Arizona New Employer Identification Number (EIN) Applications, Monthly



# **Positioning Arizona for a stronger comeback**

# Policy Design for Fragile, Resilient, and Antifragile State Economies

	<b>Fragile State</b>	<b>Resilient State</b>	<b>Antifragile State</b>
<b>Political Attitudes</b>			
<b>Economic Development</b>	Zero-sum view; focuses on businesses	Growth view; focuses on industries	Positive-sum view; focuses on technologies
<b>Risk</b>	Ignores or avoids risk	Mitigates risks	Embraces risk as opportunity
<b>Technological and Economic Change</b>	Embraces stability	Aspires to predict change	Aspires to create change
<b>Public Resources</b>	Conserves resources	Reconfigures resources	Invests and transforms resources
<b>Economic Policies</b>			
<b>Focus of economic policy</b>	Growth through corporate relocations, tourism, real estate, and service industry expansion	Growth through adaptation of existing economic resources	Development by improving enabling conditions for local creation of industries that don't yet exist
<b>Management and Support of Economic Actors</b>	Centralized control but under-resourced	Decentralized control and adequately-resourced	Decentralized control and well-resourced by central entity
<b>Role of Tax Policy</b>	Seen as singularly important policy tool	Seen as one of many policy tools	Not seen as critical to targeted technologies/industries
<b>Economic Outcomes</b>			
<b>Type of technology in economy</b>	Little, low-value or mature technologies	Indeterminate	Specialized in emerging technologies
<b>Labor Force</b>	Substitutable, commodified labor	Moderately skilled labor	High skilled, configurable, adaptable, entrepreneurial labor
<b>Business "Stickiness"</b>	Attracts businesses that can be lured to other locations with incentives	Indeterminate	Attracts and develops businesses that are deeply anchored to local clusters
<b>Connection to Other Regions and Markets</b>	Inward-looking; few connections are low-value and underdeveloped	Outward looking; few connections	Outward looking; many deep economic and cultural connections





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