

The Theory of Economics in Orange Beach

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The differences between theory and practice are often insurmountable, but Orange Beach may be the exception.

Community-oriented development started in late 2006 with the Horizon 20/20 Plan, defining the direction Orange Beach wanted to take. The Great Depression of 2008 changed that, re-inventing the way businesses and cities look at long-term growth. A decade later, our local economy is booming, breaking records for municipal revenue, according to Mayor Tony Kennon in a Facebook video.

John Maynard Keynes said, "Employment levels are determined by aggregate (total) demand rather than by the price of labor. Economies should not be expected to automatically right themselves after a temporary shock," according to Macat *An Intro to Keynes' General Theory of Employment, Interest and Money*, a YouTube video.

After the Great Depression in 2008, finally seeing the ship right itself with record-setting revenue levels in Orange Beach, generating \$48.6 Million in revenue in 2016, compared to \$36.3 Million in 2010, according to Financial-Audit Documents on the web site, cityoforangebeach.com.

This ship was not self righting, municipal intervention played an integral part with stimulus programs, like beach cleaning and the "Leave Only Footprints" initiative of 2014, injecting money into the economy, being so successful that a 2% lodging tax was laid-on-top in 2017, generating \$5 Million in revenue, according to Ford Handley, Finance Director for the City of Orange Beach. This tax-based stimulus was enshrined into law, expanding its brief to cover traffic infrastructure, creating additional jobs and more economic growth.

The importance of government intervention, helping economies grow cannot be underestimated. Assuming that natural-market forces and free enterprise will keep the economy in Orange Beach thriving is delusional, because governments have resources to intervene during economic shocks, creating jobs, like cleaning the beaches, and providing ambassadors for sunbathing visitors. These municipal efforts have a positive affect, supporting restaurants, fishing trips, and beach services.

Stimulus may not have been Council's Plan, but it is the result of their actions. Another example where actions begat stimulus is the \$14.9 Million Middle School approved for construction in Orange Beach by the Baldwin County Board of Education in 2017, according to John Sharp at AL.com. These monies will generate jobs, purchasing everything from alphabet soup to zip ties. Workers will need to eat, perhaps persuading the city to temporarily ease permitting on food trucks, specifically servicing the school's construction site.

Local vendors will also benefit, because the city allows 5% leeway on Bids for City Contracts. "In accordance with State Law (Act 2015-293), the City does have a 5% local preference. Our local preference zone as set by City Council is Baldwin County. Please note that this local preference only applies to purchases subject to the State of Alabama's Competitive

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Bid Law, which includes materials, equipment, and services \$15,000 or more, with some exceptions, and does not apply to competitively bid Public Works Contracts,” said Renee Eberly, City Clerk & Procurement Officer for the City of Orange Beach in an email.

Even without a written plan, big dollars will pour into the city’s coffers from the Middle School’s construction. Afterwards, additional jobs will come online for school administration, teachers, special-needs personnel, bus drivers, cleaners, cafeteria staff, and grounds keepers who will spend money in Orange Beach.

So, who needs a plan?

The stakeholders in Orange Beach are the entire community from beach condos to residential homes to local businesses. No one escapes an economic downturn like the one we had in 2008, knowing it has taken a decade to recover from the last cycle. We cannot avoid what happens on the national level, but we can lessen the impact on the local level, understanding there is a pillow to soften the landing with stimulus.

Decision-tree strategies give government self-policing oversight, checking in the rear-view mirror, ensuring they are between the lines, defined by plans like Horizon 20/20.

In the case of Orange Beach, I do not believe we would have achieved this level of success by welding our colors to one particular strategy. It took navigating-by-gut, seeing an opportunity to grow, strengthening beach tourism, and a little luck from hurricane-free years to succeed. Seen with 20/20 hindsight, we had a viable plan, as if the path were intentional, perhaps we should write it up, and share it with other municipalities.

The classic-economic model decries stimulus-related thinking, “If the economy is allowed to work, the economy will automatically gravitate towards full employment, according to John Nash, *The Keynesian Model and the Classical Model*, a YouTube video. This will happen eventually, but taking so long that the economic devastation will impact a generation.

Milton Friedman, the doyen of classical economics, argued against government stimulus. This is where the social conflict between the two ideologies of stimulus versus non-intervention becomes important. Friedman espoused free markets should be free from government meddling in his book *Capitalism and Freedom* according to Macat, *An Introduction to Milton Friedman’s Capitalism and Freedom*, a YouTube video. Friedman saw government intervention, leading to economic stagnation without innovation, threatening democracy, because of excessive-governmental intrusion.

Both the Keynesian and the Friedman Models strive towards an economy operating at its full potential. The Keynesian model forces government intervention, arguing the economy is not always in full employment, realizing wages and prices can get stuck, like in a recession, requiring government stimulus for help, kick-starting the economy for a faster recovery.

Keynesian theory is clearly the corner stone of economic thought in Orange Beach. Perhaps not being defined as such, because Keynesian doctrine was liberally applied by the Obama administration, yet here we are, enjoying the fruits of municipal stimulus in the heart of conservative orthodoxy. Proving liberal theories and conservative practices can work in harmony. Perhaps Orange Beach is the small-town exception, defining new rules for municipal economics.

ENDS.