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# The Evolving Dallas/Fort Worth Metroplex Economy: Performance and Prospects

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## SUMMARY

*This study, commissioned by the North Texas Future Fund, analyzes the evolution of the D/FW regional economy over the past third of a century. A Summary and Overview is supplemented by several focus reports on different dimensions of the region's growth and development and their implications for the future. The North Texas Future Fund, a 501(c)(3) corporation, was formed on May 17, 2001 by the North Texas Commission's Board of Directors to identify, study and seek long-term solutions for issues affecting the region in the areas of education, economic development, regionalism, air quality, workforce development and population change. The study was conducted by Consultant Donald A. Hicks, Ph.D., who has conducted extensive research and written widely on industrial and regional change, technological innovation and economic performance.*

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The rapid growth of the Dallas/Fort Worth region since 1970 – whose rates of population, employment and total output outpaced those of any other major U.S. region – can be viewed as part of a larger national economic realignment, much of whose force is now largely spent. As the region “scaled up” and ascended into the top tier of regional economies, however, the impetus for much of this growth originated from outside the region. Today, many of the background factors that accounted for the region's recent competitiveness have changed. Regions throughout the Northeast and Midwest have transformed their economies by shedding much of their older industrial-era portfolios and staking out commanding positions in new and renewed industries. Similarly, the ranks of competitors have grown as peer regions throughout the South and West, as well as in other parts of the world, have also seen their economies evolve.

This region's growth since 1970 has been defined by two distinct eras punctuated by the energy/banking collapse of the mid-1980s. During the first (1970-85) of these eras, D/FW experienced the bulk of its industrial restructuring, as an older industry mix organized around goods production was eclipsed by a new one built around advanced producer and distributive services. During the second (1986-2000) era, new recipes for economic growth emerged in which technological and organizational innovations were the

defining features of the region's lead industries.

Today, a new era in the region's development is unfolding. While the region's growth prospects for the years ahead appear positive, we cannot expect to rely as heavily on a demographic tailwind or incoming waves of business relocation and expansion to propel our economy forward.

The growth of the past two eras has masked lingering deficiencies in the region's capacity to inspire and incubate new firms and industries on a scale commensurate with its new ranking. With a few notable exceptions, the region's capacity to exploit opportunities to host innovative activity in newly-emerging fields is deficient. And, this deficiency can be traced primarily to an underdeveloped innovation infrastructure. Looking ahead, this region's future – like those of its regional peers -- will depend increasingly on a complex chain of economic and demographic factors that reaches all the way back to this critical foundation. The innovation infrastructure needed to generate future growth – not simply attract it – must be anchored by high-quality research universities and distinguished specialized research programs capable of attracting significant external funding and talented researchers, training the next generation of researchers, graduating students with the skills to upgrade the competitiveness of their employers, and inspiring cohorts of entrepreneurs who choose to locate their new enterprises in the region.