# The Ant and the Grasshopper and the Inland Empire

by

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There is a famous fable by Jean de La Fontaine about the ant and the grasshopper. In it, an industrious ant spends the entire summer working and prepares for the oncoming harder season (winter). At the same time, the care-free grasshopper just sings and enjoys the great times. As winter arrives, the grasshopper is without food and begs the ant for help. The ant turns away and asks the grasshopper to dance instead.

La Fontaine's fable of the ant and the grasshopper offers a timeless warning: good times do not last, and only those who prepare for the future avoid hardship. Today, the Inland Empire finds itself in the role of the grasshopper: it is enjoying a period of economic sunshine while neglecting the work needed to ensure long-term prosperity.

Currently, the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA) is outperforming its Southern California neighbors. Since the end of the pandemic recession, our region has added more jobs than any other MSA in Southern California. While Los Angeles, Orange, and Ventura counties have all lost population over the past five years, Riverside and San Bernardino counties continue to grow. Even the rise in the unemployment rate, which went from 3.9 percent in February 2020 to 5.3 percent today, reflects a growing labor force outpacing employment growth rather than declining numbers in both. And despite exaggerated claims of a "freight recession," the logistics sector is simply normalizing after an unsustainable surge in demand with consumer expenditures shifting from services to durable goods in the early 2020s. The sector still remains at a higher level than even five years ago. In short, it feels like summer, and many decision-makers are content to sing.

But as flowers fade, the fruits of summer die away. Note that summer has ended before. In the 1980s, military spending and aerospace expansion created a boom that collapsed into a painful regional recession in the '90s. In the early 2000s, the housing bubble brought another short-lived surge followed by severe job losses. In both cases, the Inland Empire suffered deeper and longer downturns than the state or nation. The reason behind this was a failure to prepare, or, a failure to diversify.

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Today, the parallels are unmistakable. More than half of all jobs in the Inland Empire come from just three sectors: Logistics, Health Care, and Local Government (especially public education). Without growth in logistics and health care, the region would actually have fewer jobs today than in February 2020. Yet all three sectors face significant headwinds. Public education is bracing for major cuts due to declining enrollments and large projected deficits. Health care spending is expected to fall as federal contributions shrink, prompting Californians to consider a wealth tax on the November ballot to fill the gap. Logistics employment is rising again, but its future depends heavily on imports through the ports of Los Angeles and Long Beach, which are vulnerable to tariff policies, currency shifts, and environmental restrictions on warehouse expansion.

If we do nothing, the Inland Empire will once again enter winter unprepared.

The path forward requires building a more resilient, higher-value adding economy. That means attracting firms in Professional and Business Services, Information, and Finance, which are industries that offer higher wages, long-term stability, and opportunities for young adults to build careers here in the Inland Empire rather than commuting to coastal counties. Today, the region's low wages, limited job availability in high-skill sectors, and lack of relatively affordable housing combine to produce a labor force with low human capital endowment. ADP Research ranks Riverside and San Bernardino counties second-to-last among 53 MSAs it considered in attracting 20 to 29 year olds to reside in the area. Only 27 percent of Inland Empire residents hold a bachelor's degree or higher, compared with 37 percent in California and Phoenix. This percentage is low despite the significant number of students graduating each year from UCR, CSUSB, the University of Redlands, and other nearby institutions such as The Claremont Colleges or even Cal Poly Pomona. This discourages high-value adding firms from locating here and pushes educated residents to seek work elsewhere. It also accelerates automation in local industries. A 2019 Brookings Institute study on artificial intelligence ranks the Inland Empire in 13th place out of the top 100 MSAs it analyzed in terms of automation potential (with Silicon Valley, New York, and Boston being in the bottom five).

What is worse than lack of high-value jobs and human capital is that, even if firms wanted to locate in the area, they would struggle to find space: office vacancy rates in the Inland Empire are in the single digits, compared with double-digit office vacancies in Los Angeles, San Francisco, San Diego, and Silicon Valley. We are not building the physical or human capital infrastructure needed for a diversified future because currently we do not see the necessity to open more office space.

It is tempting to celebrate and sing about the Inland Empire's current strength. But like the grasshopper, we risk mistaking temporary comfort for lasting security. The region must choose to be the ant, which means we have to be investing now, planning now, and diversifying now.

We leave it to decision makers, both in the private and public sector, to find the right combination of incentives to lead the Inland Empire to that goal. We suggest that administrators and private sector leaders consider regional industrial policies to address the problems the Inland Empire will face over the next 20 years, not necessarily in the very near future. In that way, children who are born currently in the Inland Empire will have a desirable job open to them in 2046 instead of facing tedious commutes or moving out of the region. To put it simply: we need to find ways to keep people here or even attract workers from elsewhere. There are a variety of policies available to county administrators, such as tax abatements or exemptions, tax credits, or workforce training subsidies. Many of these policies have been successfully tried in other locations, and a cost-benefit analysis would show that it is worth trying these approaches.

If we can get there within a reasonable planning horizon, then as winter inevitably arrives, the Inland Empire is ready not just to endure it, but to thrive beyond it.