

# Economic Development Thoughts

Stan Harpstead  
Regional Council of Mayors

# Objectives (Draft)

- **Develop Long-Term strategy for growth in Gross State Product (specifically emphasize Metro Region)**
- **Enhance relationships/collaborations within Regional Clusters**
- **Develop momentum in Science and Technology Regional Economic Segment**
- **Identify Short-Term and Long-Term investments to achieve strategic goals**
- **Identify and measure appropriate “dashboard” or “scorecard” benchmarks**

# Regional Statistics

- **Other Statistics (2007 Development Report Card)**
  - MN ranks 48<sup>th</sup> in New Company Formation
  - 28<sup>th</sup> in SBIR grants
  - 23<sup>rd</sup> in Manufacturing Investment
  - 22<sup>nd</sup> in VC Investments
  - 19<sup>th</sup> in PhD scientists and engineers

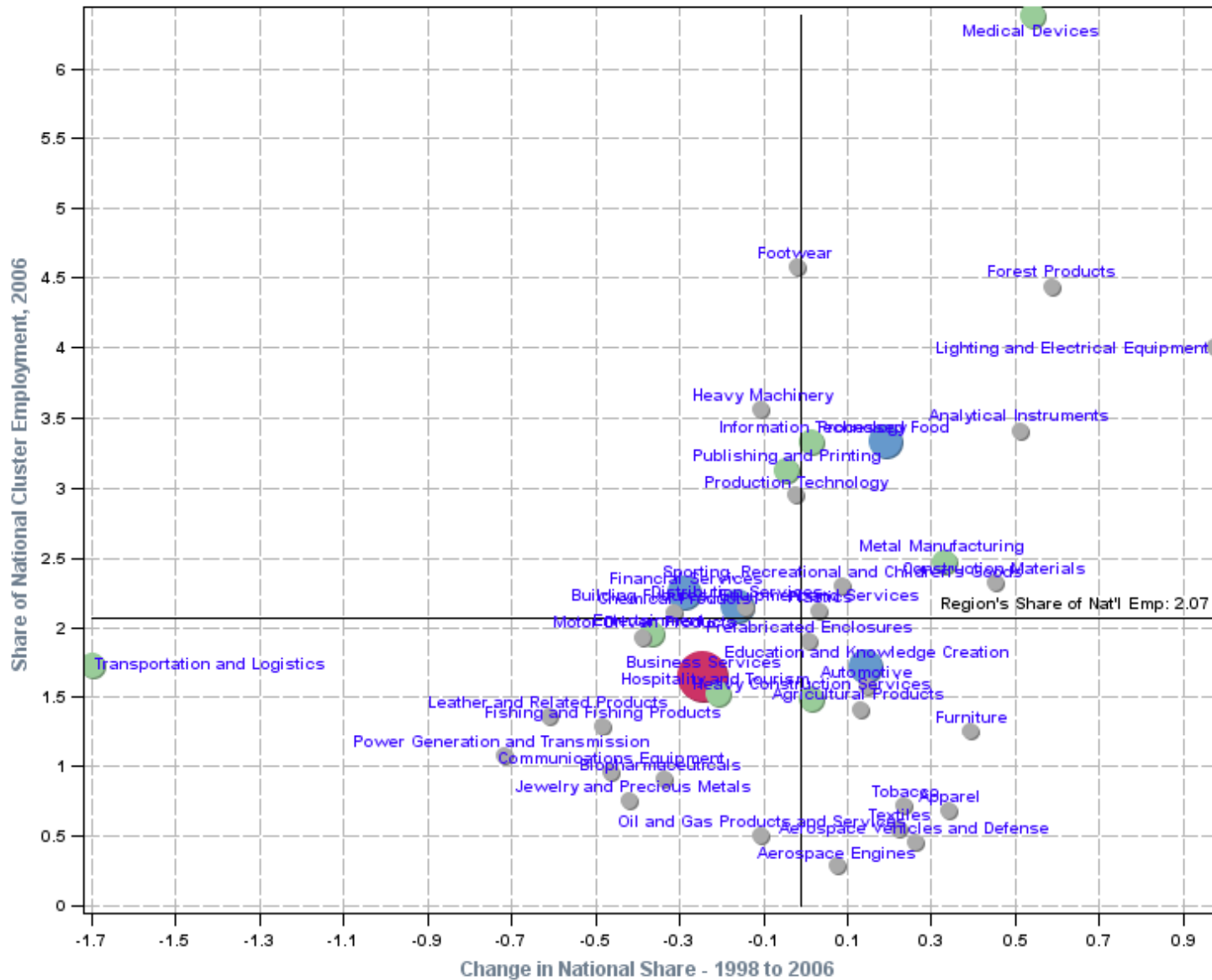
# Regional Statistics

U.S. Metro Economies

U.S. Metro Economies; Gross Metropolitan Product with Housing Update, January 2007

- A key success behind the economic development of metro areas is the **proximity of businesses and skilled labor**. The synergy provided by
  - **labor**,
  - **extensive business networks**,
  - **cutting edge research** at institutes of higher learning, that
  - **attracts both capital and entrepreneurs** to metro areas.
- **Metro areas are at the center** of the development of new technologies, such as nanotechnology or biotechnology, and play a major role in shaping the future economic development.

# MN Economic Clusters

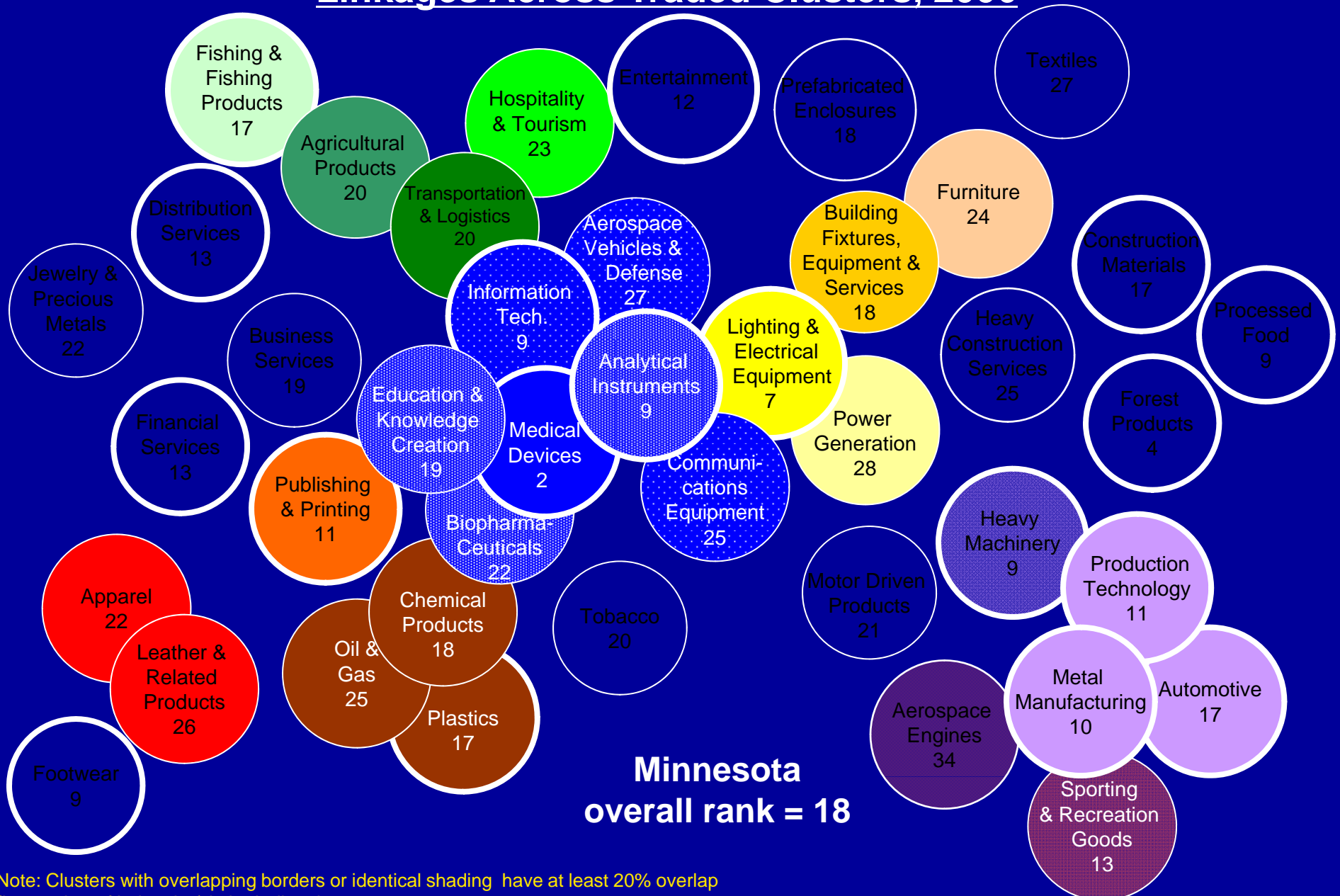


Source: Lee W. Munnich, Jr. University of MN

● 0-19999 ● 20000-39999 ● 40000-79999 ● 80000+

# Competitiveness and Composition of Minnesota Economy

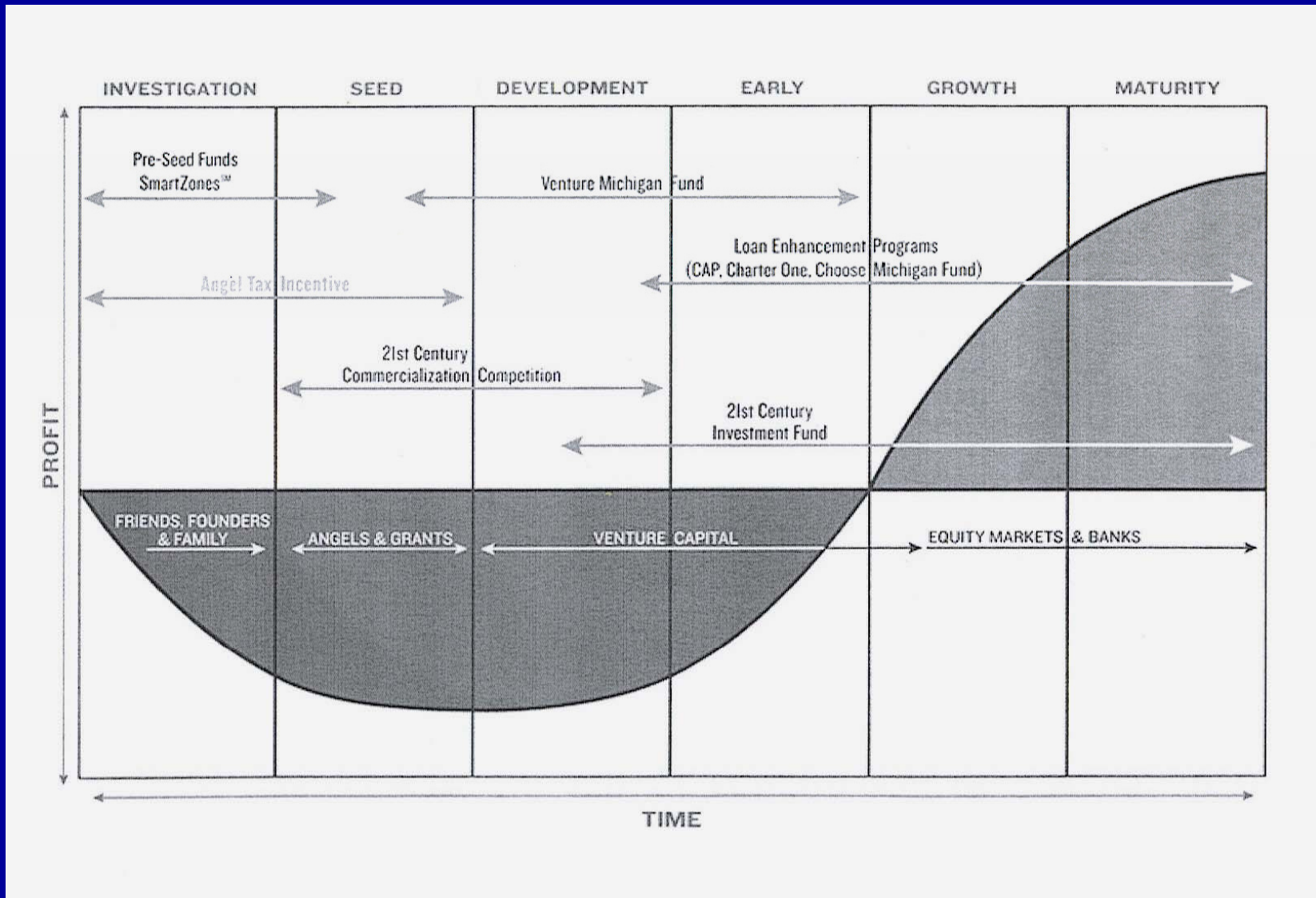
## Linkages Across Traded Clusters, 2006



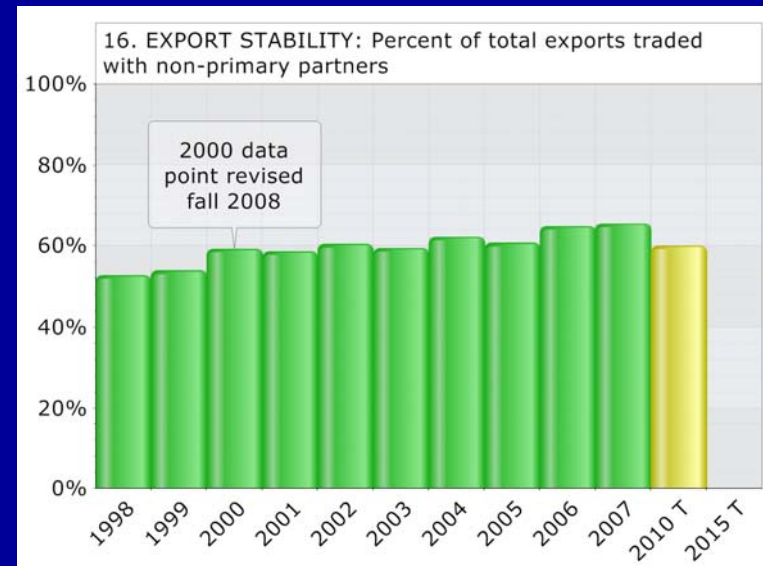
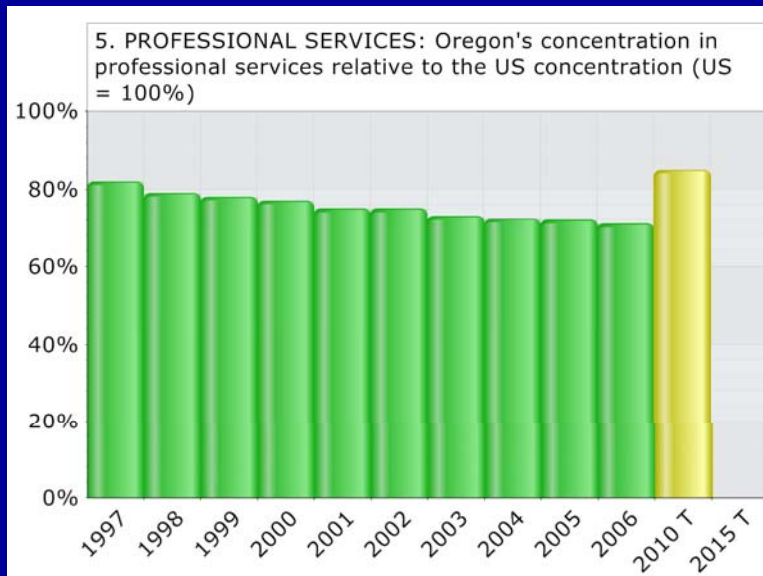
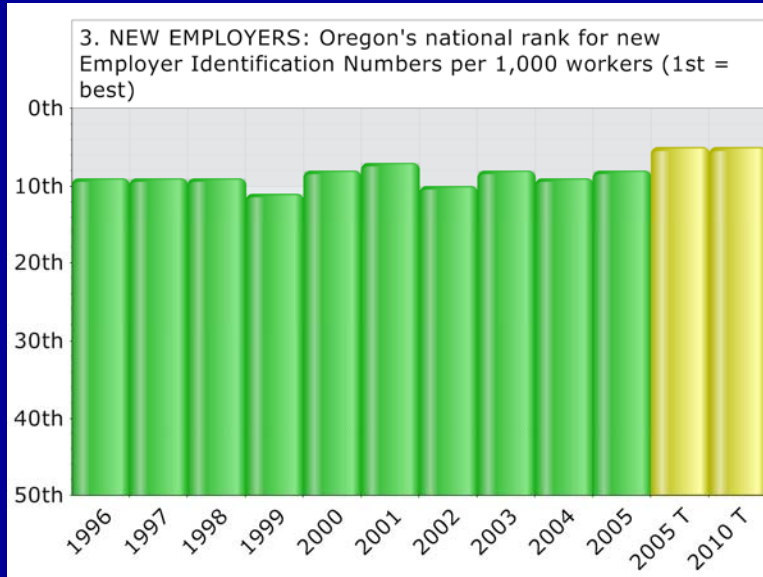
Note: Clusters with overlapping borders or identical shading have at least 20% overlap (by number of industries) in both directions.

Source: Lee W. Munnich, Jr. University of MN

# Business Development - Michigan



# Oregon Benchmarks <http://benchmarks.oregon.gov/>





# Proposed Current Activities

- **Setting up a Meeting of Participating Mayor's in Bloomington (Gene's support)**
- **Applying for funding support from appropriate foundations**
- **Networking with Workforce Centers, HT-Alliance, MN-Nano, BioBusiness Alliance, Large Corporations, U of MN, MNSCU**
- **Encouraging meetings between city community development groups (common borders and/or common industries)**
- **Identifying appropriate "dashboard" or "scorecard" benchmarks**
- **Support proposed legislation (this Thursday) in the Senate to establish a North Star Rising Commission → EDCorp with emphasis on Science and Technology Initiative**

# **How to enhance Regional Economic Clusters**

# Industry Clusters (Porter)

- Geographic concentrations of competing, complementary, or interdependent firms
- Common needs for talent, technology, and infrastructure
- Dynamic, changing as the industries themselves or external conditions change
- Centered on firms that sell outside the local, state, national market
- Driving forces in a national, regional, state or metropolitan economy

# How to create a portfolio of clusters?

As with “financial portfolio theory” the benefit of a portfolio of clusters are the spread of risk and ability to maintain regional momentum when clusters behave “out-of-phase”.

However, strategic management of a portfolio of economic clusters will also benefit from:

- Inter-cluster economic transactions (sustainable energy as both an exporter and productivity improver)
- An educational culture that does not depend on the content of education
- Technology spillovers
- Intellectual revolutions of ideas and advocates willing to spend their reputations and careers in spreading ideas through actions as well as words.

For Example: A Science and technology initiative should be developed to focus on the three key areas of need in Minnesota including:

- **Human Capital** – training and development
- **Science and Technology Infrastructure** – research labs (public and private)
- **Commercialization Assistance** – capital for start up company growth; from seed grants to support innovation to investment capital formation (Angel Tax Credits, VC funding)

# High-Technology Location Factors

**EXISTING HIGH-TECH PRESENCE is CRITICAL**

## Traditional

### Business Factors

- Tax Structure
- Compensation Costs
- Space Costs
- Capital Costs
- Business Climate

## High-Tech

### Specific Factors

- Proximity to Excellent Research Institutions
- Access to Venture Capital
- Educated Workforce
- Network of Suppliers
- Technology Spillovers
- Climate and Quality of Life

Source: Milken Institute, *America's High-Tech Economy*, 1999

Source: Atlanta Forum - Mary Jo Waits

# How to enhance a technological cluster?

- *Scientific personal interaction (Watering Holes) are required with minimal “empire building”*
- *Significant data handling technology and informatics will be a cluster backbone*
- *“Re-tooling” of the informatics system to open-source and open-access will increase content and revise access algorithms*
- *Opportunity to perform early **feasibility evaluations of the intuitively conceived technologies***
- *First Class scientific characterization facilities and laboratories for prototype design and assessment*
- *Seamless interaction between industry businesses, especially between large and small businesses*