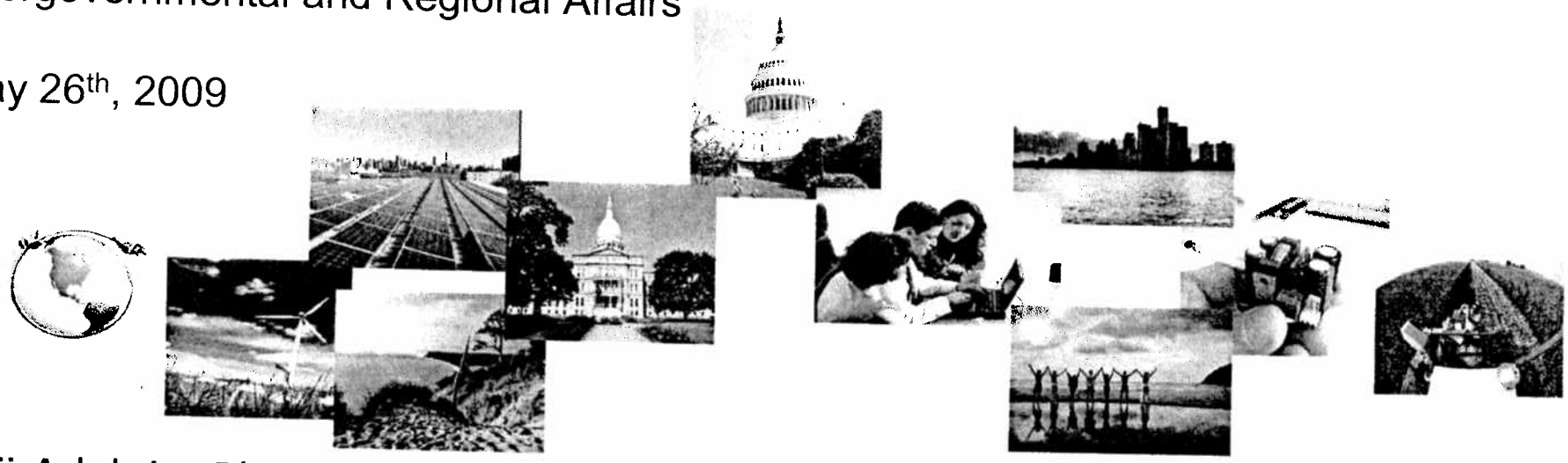
The Role of Regional Strategy in the New Economy

Presentation to the Michigan House of Representatives Committee on Intergovernmental and Regional Affairs

May 26th, 2009



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MICHIGAN STATE UNIVERSITY EXTENSION

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Contents

1. The Problem.
2. Why it Occurred.
3. What to do About it.
4. Identifying Assets.
5. Strategic Growth Planning.
6. Regions as the Focus for Economic Development.
7. MSU's Role in New Economy Research and Outreach.

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1. The Problem

- For 100 years Michigan's residents rode the Old Economy to an extremely high quality of life; but now the Old Economy is dying and we are not prepared for the New Economy.
- The economy is depressed, and so are we. Negative and pessimistic thinking are setting in.
- The Solution: There are solid reasons to be optimistic if we are willing to think differently, work in partnership with others on a regional basis, and act consistent with the emerging characteristics of the New Economy.

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2. Why it Occurred

- Rules of the game have changed due to globalization (of especially production, consumption, and credit).
- A New Economy based on knowledge emerged while Michigan was still relying on an economy based on manufacturing. We were unable to compete as markets were freed from national boundaries.
- Our economy now is service and high tech driven which commands the most new value in the global economy.
- We have to aggressively join the New Economy or risk last state status.

Global Economic Growth

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- Growth increasingly occurring elsewhere.
- U.S. share of ***world growth*** fell from 19% to 12% in the past decade (*Business Week*, 2007).
- A new approach to growth is needed—it is called the ***New Economy***.
- But, we cannot use Old Economy strategies to address New Economy challenges.

2008 GROWTH FORECAST	
World	**4.1%**
US	***1.3%***
Japan	1.5%
France	1.6%
Germany	2.0%
UK	1.8%
China	9.7%
Russia	7.0%
India	9.0%

Source: IMF, 2007

Data all before global financial crash.

Comparing the Old and New Economy

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Key Strategies of Successful Places in the *Old Economy*	Key Strategies of Successful Places in the *New Economy*
Inexpensive place to do business.	**Richness in talent and ideas**.
Attracting companies.	**Attracting educated people**.
A high-quality physical environment was a luxury, which could stand in the way of attracting cost-conscious businesses.	**Physical and cultural amenities** are key in attracting knowledge workers.
Success = **competitive advantage** in some resources or skills. The quality of the labor force was largely skills dependent.	Success = organizations and individuals with the **ability to learn and adapt**.
Economic development was **government-led**. Large government meant good services.	**Bold partnerships** with business, government and nonprofit sector lead change.

Comparing the Old and New Economy

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Key Strategies of Successful Places in the *Old Economy*	Key Strategies of Successful Places in the *New Economy*
Industrial sector **(manufacturing)** focus.	Sector diversity is desired, and **clustering** of related sectors **is targeted**.
Fossil fuel dependent manufacturing and manufacturing technology dependent.	**Communications and information technology dependent, but energy smart**.
People followed jobs.	Talented, well-educated people **choose location first,** then look for or create a job.
Location and proximity to raw materials mattered.	**Quality places** with a high quality of life and proximity to knowledge assets matter more.
Dirty, ugly, and a **poor quality environment** were common outcomes that did not prevent growth.	**Clean, green** environment and **proximity to open space** and quality recreational opportunities are critical.
Connection to **global opportunities not essential**.	Connection to **emerging global opportunities is critical**.

Place and Placemaking in the New Economy Paradigm

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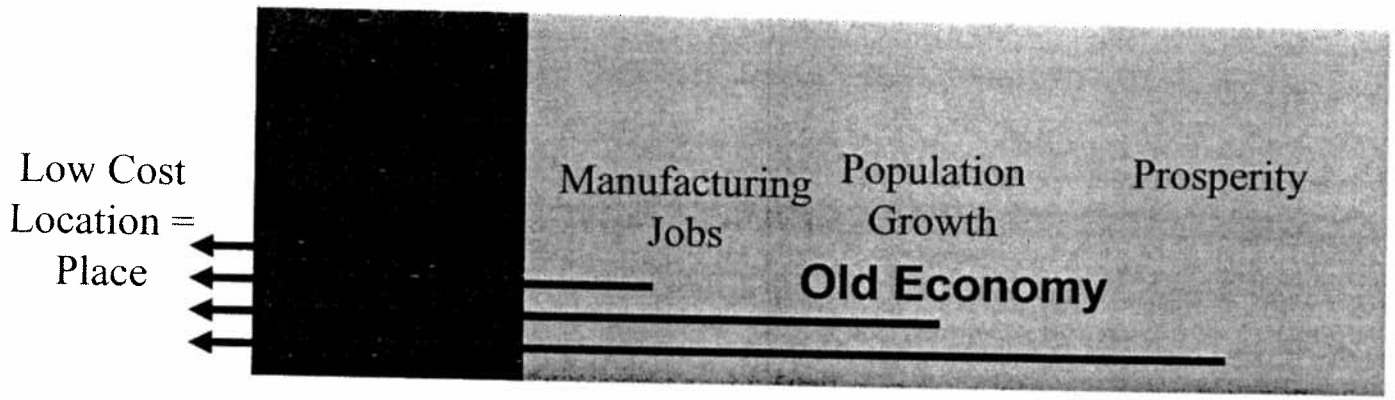

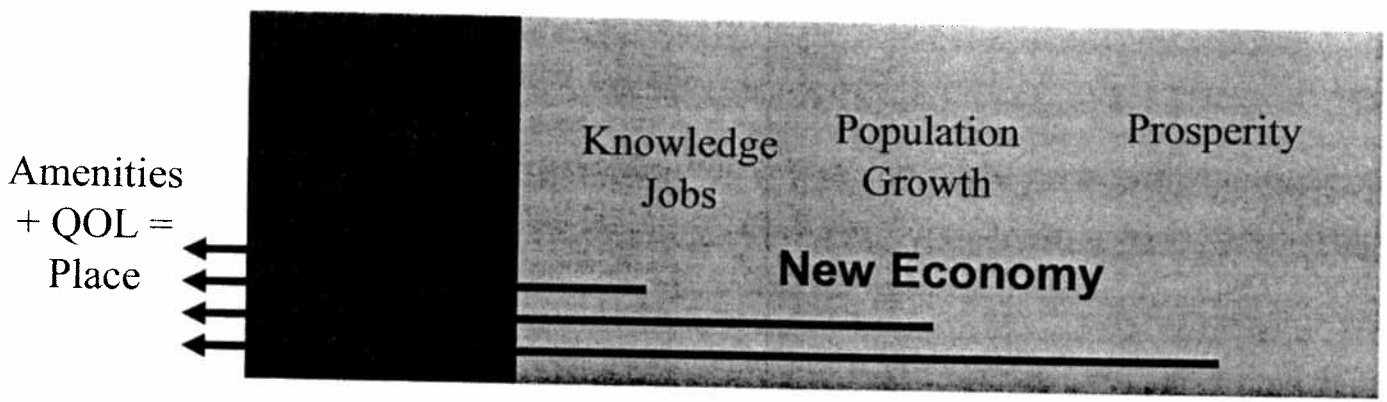

Old Economy

- Old Industrial Complexes are people magnets.
- Strategies focused on attracting industry.
- Strategies focused on cheap land, willing workers, raw materials, low taxes, etc.
- Local orientation.

New Economy

- Great places are talent magnets.
- Talented create jobs.
- Strategies focused on attracting talented people.
- Strategies focused on attractive tolerant places with great social, natural, entrepreneurial, creative and intellectual capital.
- Global orientation.

•Knowledge (talent) and global opportunities are key currency elements of the "New Economy".

Place in Michigan Today

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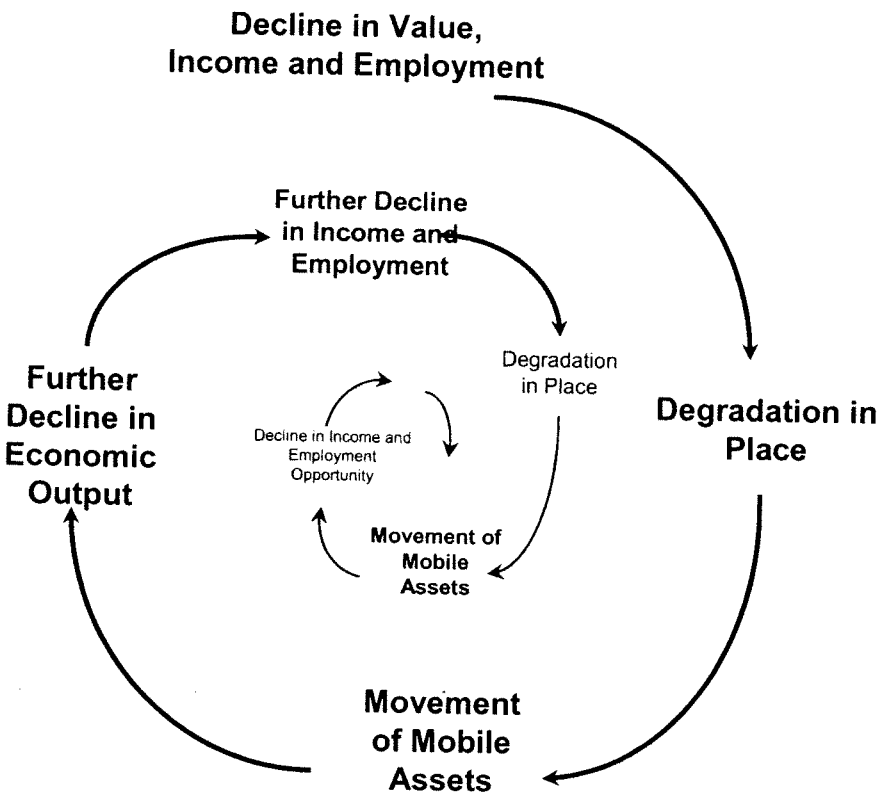
- Michigan faces a challenge in regard to its place strategies.
- Our Old Economy places have experienced decline in value, resulting in declining employment and income.
- If both income & employment fall, place declines as well, regardless of the asset base present.
- This cycle becomes exasperated as the mobile assets begin to move to other places, (talent for example), which leads to further degradation of place.
- This cycle forms a downward spiral that begins to self perpetuate.



Infrastructure Needs for Creating Quality Places that Can Compete in the New Economy

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- Still need roads and bridges, sewer and water, but transit within metro areas is now critical
- Other critical infrastructure includes:
  - Dense urban places with a high quality of life
  - Green infrastructure and green thinking
  - Broad cultural amenities
  - High speed communication
  - Modern energy platform
  - Higher education opportunities
  - Entrepreneurial capacity
  - Multicultural tolerance.

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3. What to Do About It

- We need to act on what we have learned from science and research into regions that are doing well, and those that are not, about our ability to successfully compete in the New Economy.
  - We know that prosperity is built on regional assets and the uniqueness of each place.
    - Transit is one of the most prominent regional infrastructure.
  - We know that the role of each place is different from others, but interconnected with others within the economic region.
  - We must accept that we are all in this together.
  - Success depends on noncompetition between neighbors within regions, as well as cooperation and coordination, otherwise growth is a zero-sum game.
  - We must think and act regionally and strategically.

Regional Transit is Key Infrastructure

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- Transit is more than moving people to and from work – it is a way of providing access to amenities that are key to quality of life.
- We must build for the youth of tomorrow.
- Anyplace without regional mass transit may be unable to compete in the global New Economy.
- Especially important from Pittsburgh to Chicago where there is little transit in major core cities.
- Regional transit takes a long time to build, but we must start soon.

4. Identifying Assets

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- Identifying unique capabilities/assets is key.
- It is how a region positions itself that will define success in the future.
- Natural Economic Regions transcend political regions. We need to let our New Economy assets drive the concept of economic regions.
- Communities with unique regional assets should partner to attract prosperity globally, rather than continue competing with themselves.
- *Michigan can be a major player in the U.S. economy through placemaking, positive mindset change, and leveraging our regional assets.*

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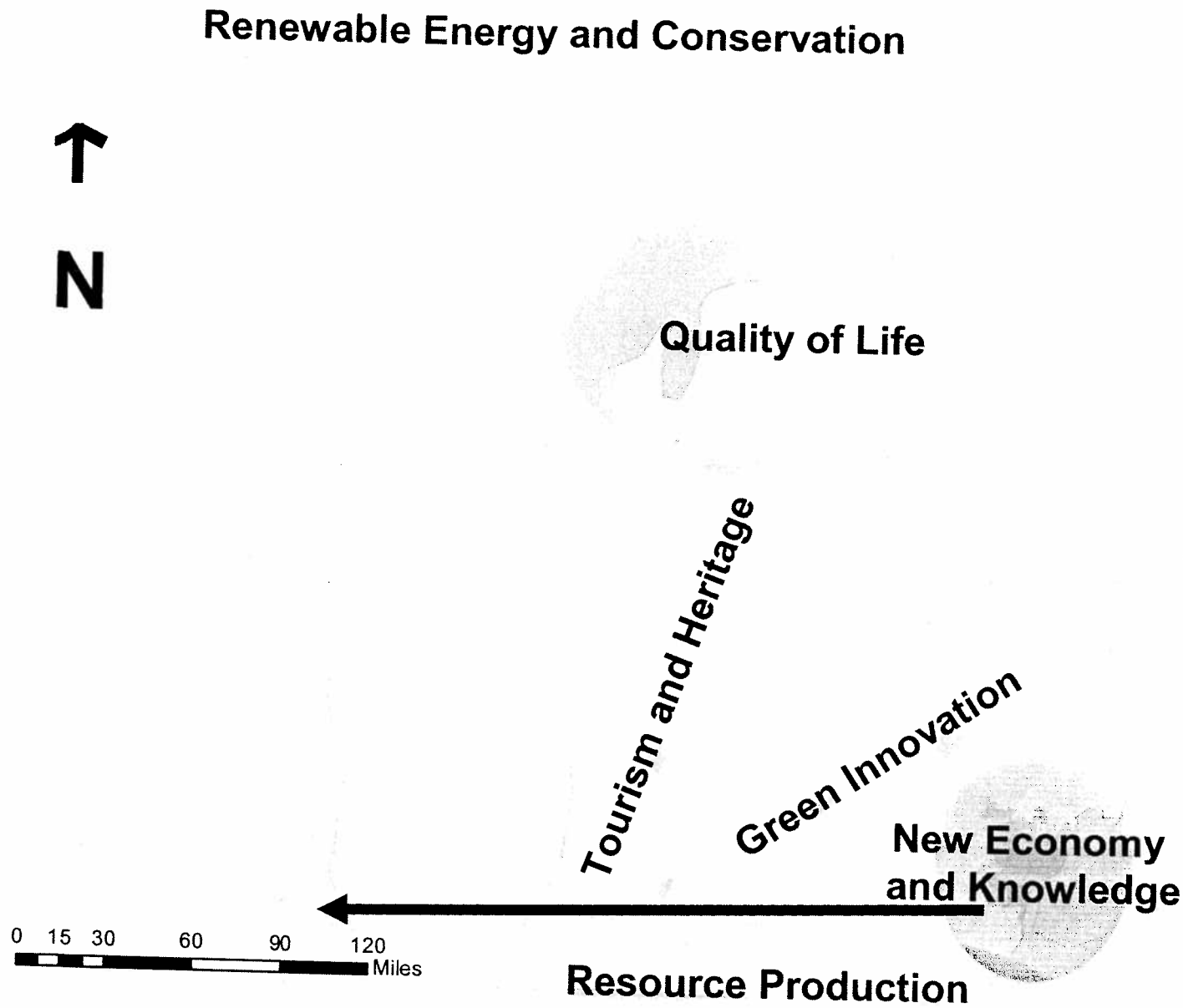
Michigan's Natural Economic Regions



Knowledge and Talent Are Key

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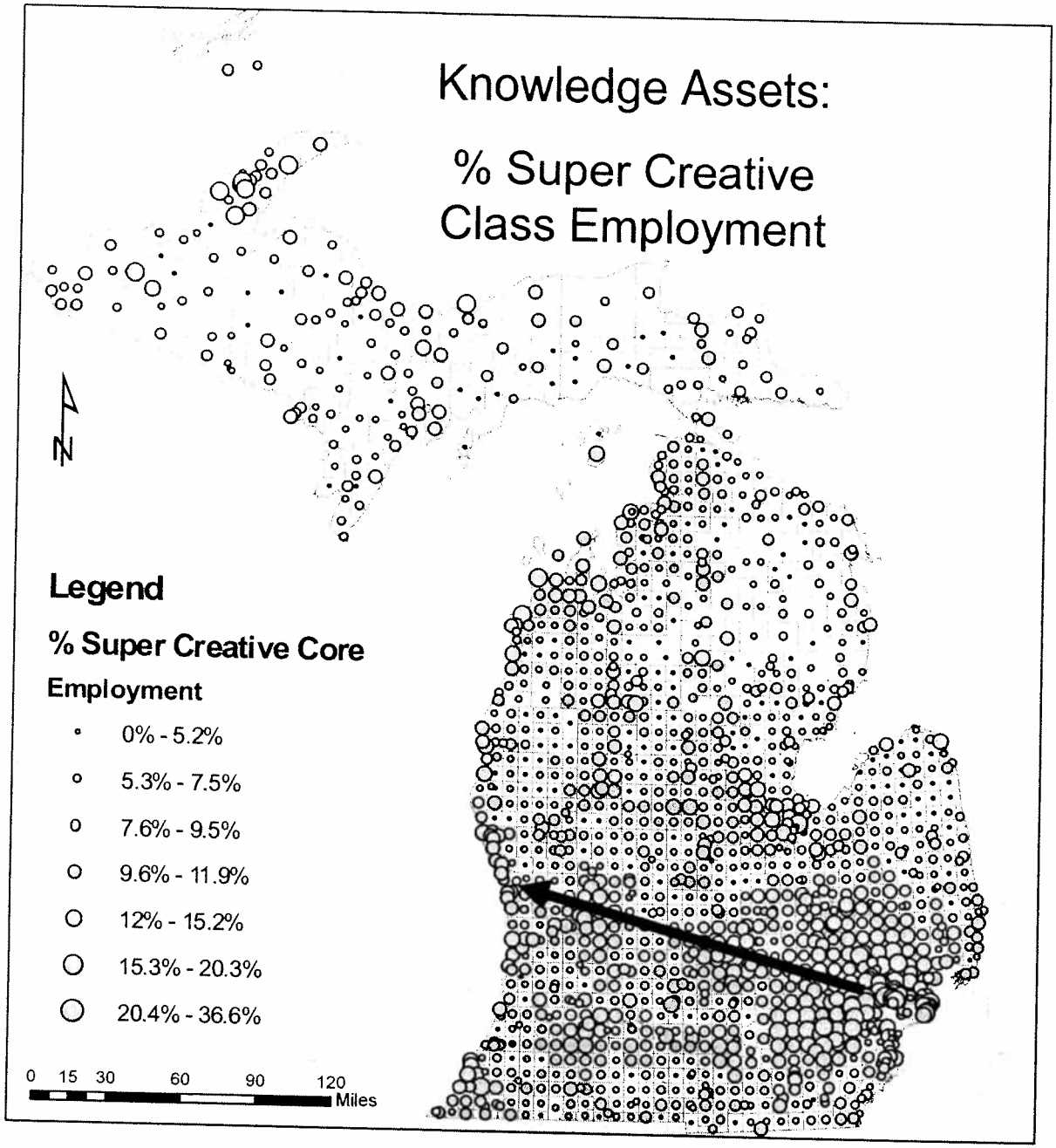
- Super Creative Core
  - Computer and Mathematical Occupations
  - Architecture and engineering occupations
  - Life, physical, and social science occupations
  - Education, training, and library occupations
  - Arts, design, entertainment, sports, and media occupations
- Creative Class
  - Management occupations
  - Business and financial operations occupations
  - Legal occupations
  - Healthcare practitioners and technical occupations
  - High-end sales and sales management



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Super Creative Core

- Computer and Mathematical Occupations
- Architecture and engineering occupations
- Life, physical, and social science occupations
- Education, training, and library occupations
- Arts, design, entertainment, sports, and media occupations

U.S. Census Bureau. *2000 Census of Population and Housing, Summary File 3.* http://www.census.gov

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What Are Talented People Looking For?

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Quality Places to Live, Work & Play!

- Active/dynamic living environment with lots of fun:
  - Recreation, cultural amenities, social interaction, diverse choices. (1000 nights of entertainment – before marriage)
- Amenities driven: parks, outdoors, thriving farms, sports, hunting, fishing, waterways, greenery, etc.
- Diverse lifestyle choices:
  - Multi-modal transportation (especially transit), housing type and range of prices, density.
- Business and entrepreneurial opportunities:
  - Creativity, risk taking, good market for innovation, high wage jobs.
- *Talent seeks out real assets.*

Green Infrastructure

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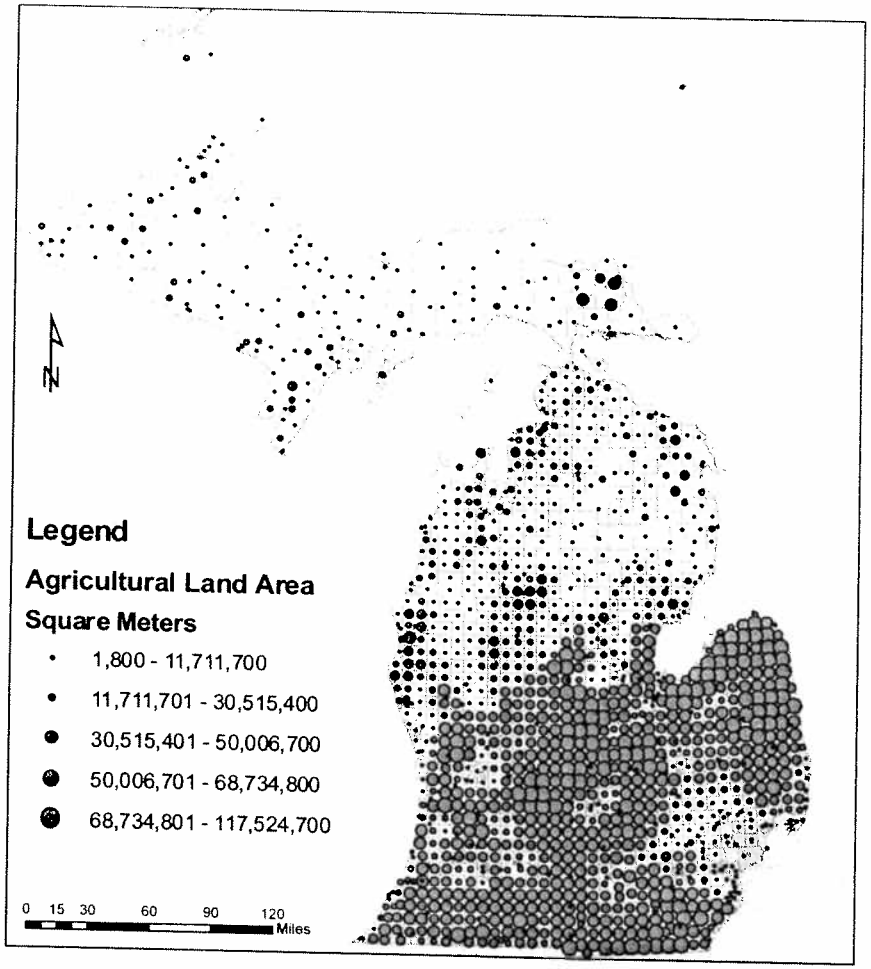
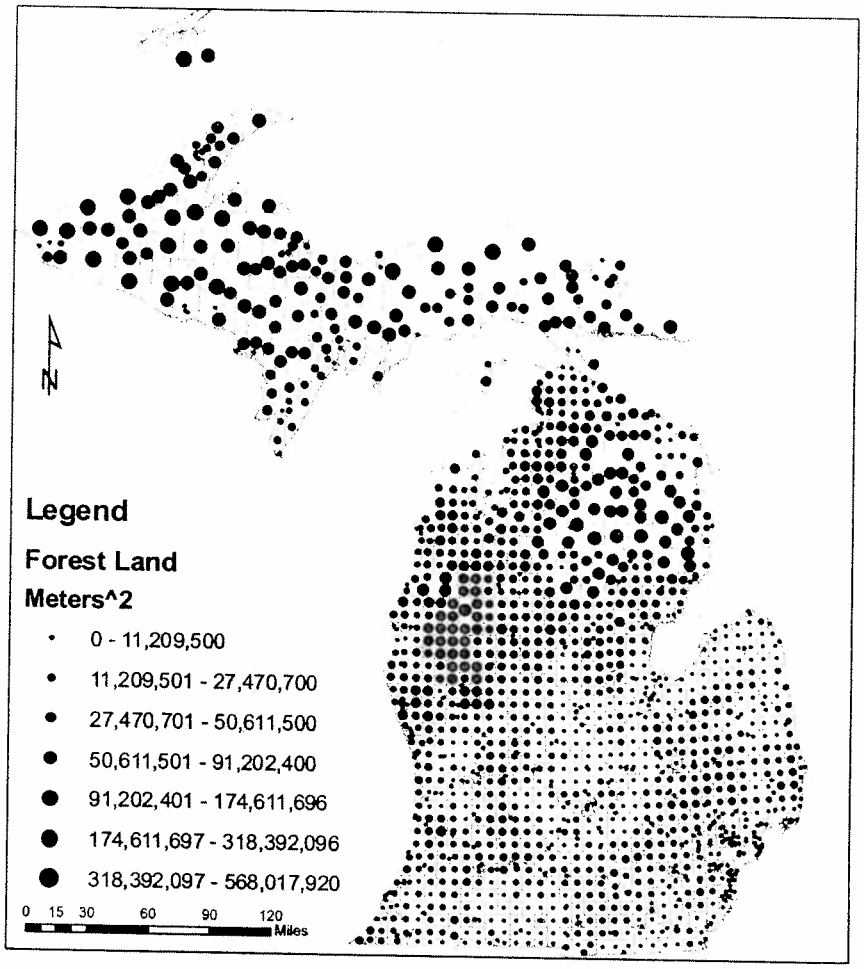
- Green Infrastructure is attractive to various segments of the population including knowledge workers.
  - 65+ are strongly attracted by quiet landscapes with water, forest, and open space amenities.
  - 36-64s' like walk able communities, with parks, and recreation opportunities (eg. Golf).
  - 24-35's enjoy dense communities with integrated green infrastructure, and recreation opportunities such as biking, boating, and sports.
- What is its role in the New Economy?
  - Green infrastructure can be deployed to selectively attract different segments of the population.
  - Mobile Assets place significant value on recreation and green infrastructure.
  - Green infrastructure becomes part of the persona of a place, but it is hard to create if the fixed natural assets are not present to begin with.

Green Infrastructure: Agricultural Land



Green Infrastructure: Forest Land



Quality of Life Assets

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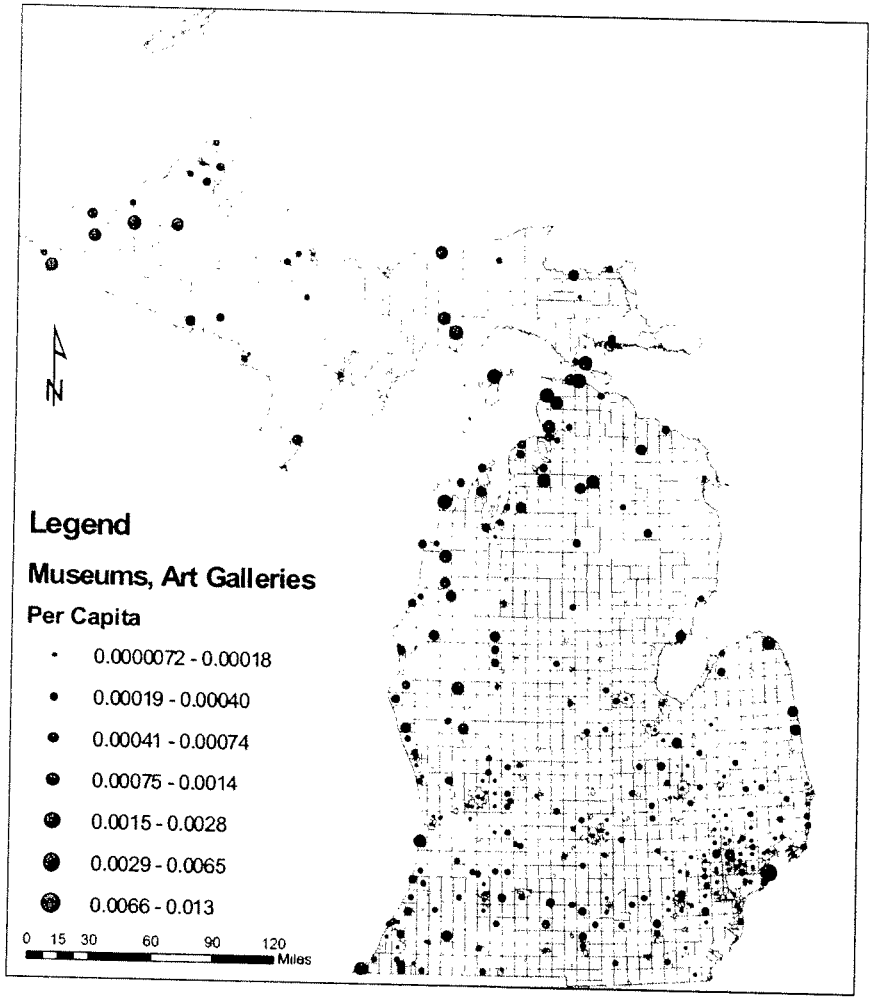
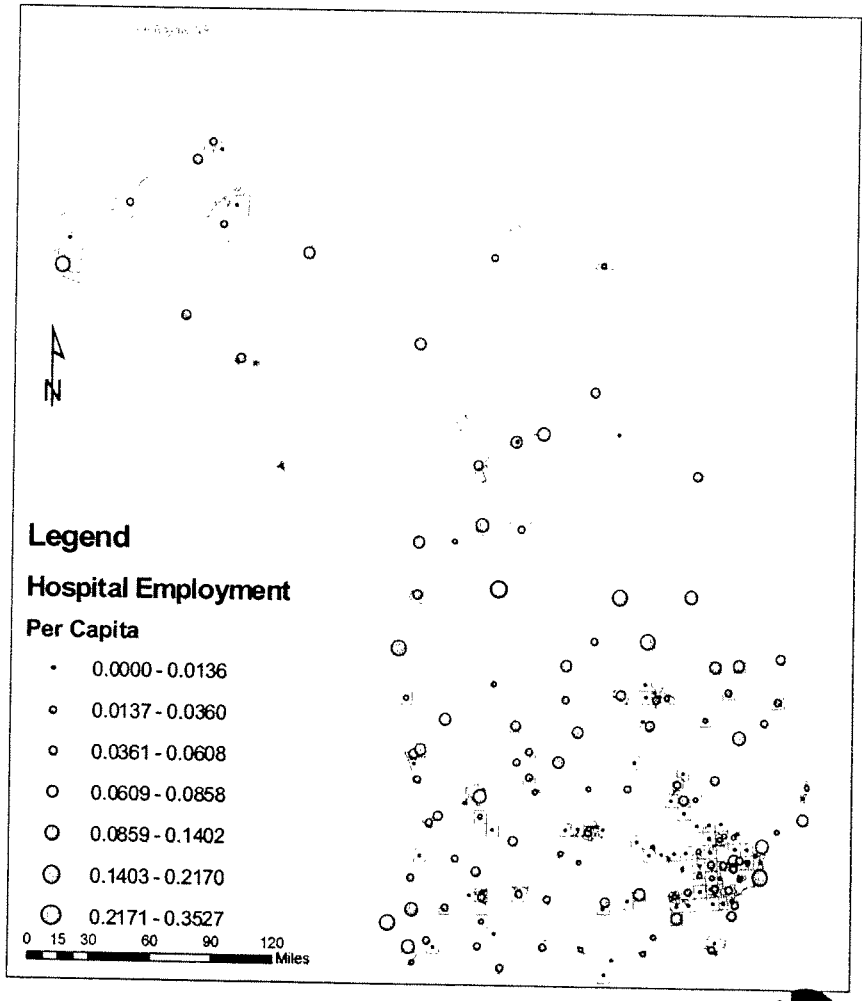
- Quality of life assets allow people to translate their incomes into quality of life and fulfillment close to home.
- Today, people want it all, close to home, and are too time-starved to rely on vacations.
- The redefinition of place with the New Economy allows people to move close to what they desire (not tied to old production places).
- What is the role of Quality of Life assets in the New Economy?
  - They intensify place and allow other fixed and quasi-fixed assets to give a place the identity that it needs to be a relevant in the New Economy.

Quality of Life: Museums, Art Galleries, and Botanical and Zoological Gardens per capita



Quality of Life: Good Health Care: Hospital Employees per capita



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New Economy Assets

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- A key characteristic of the New Economy is the fact that its output is often an idea or knowledge-based innovation.
- Technology can drive value creation where no value could be captured in the economy previously.
- What is the role of these assets in the New Economy?
  - These tend to be the high growth or emerging value creation clusters that need to be recognized, nurtured, and grown.

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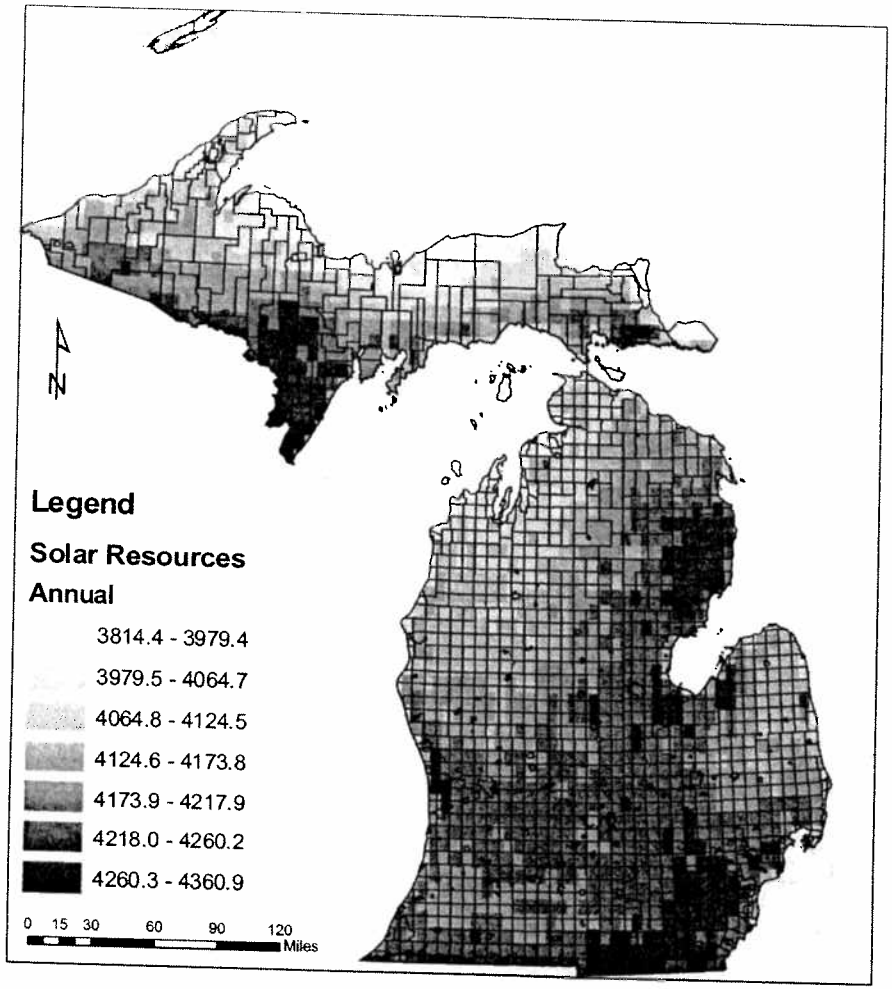
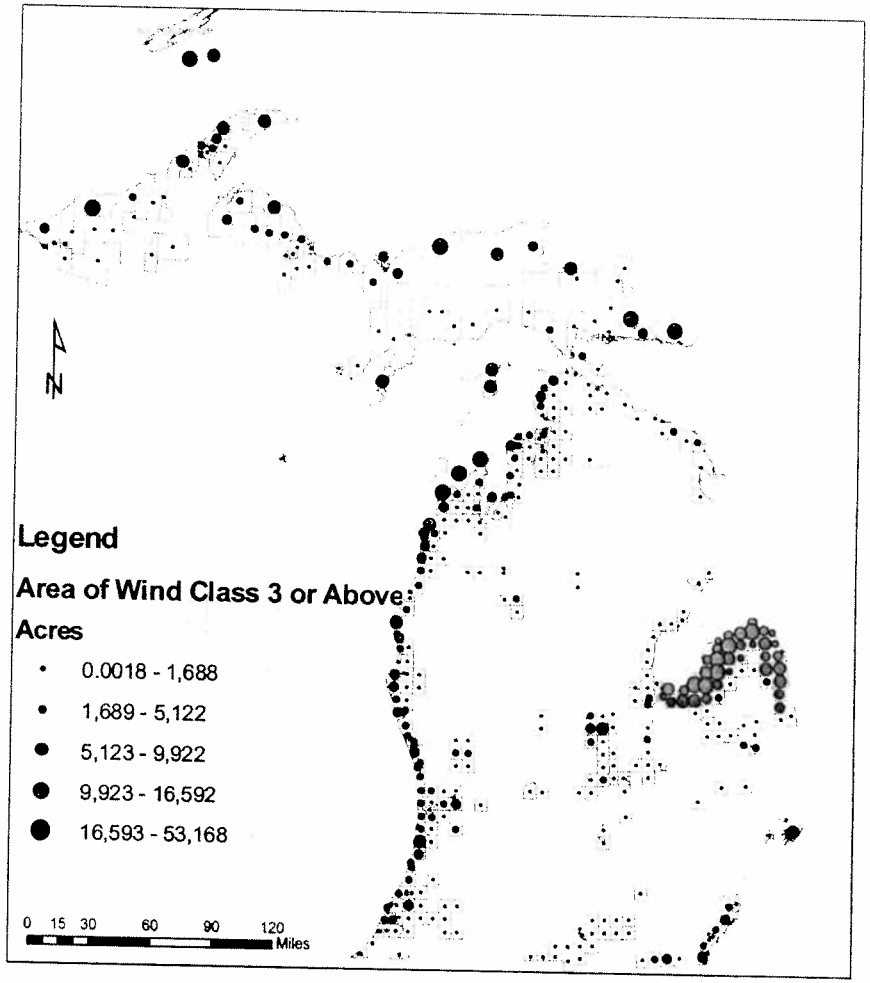
New Economy Assets:
Solar Energy Potential



New Economy Assets:
Class Three & Better Wind Area



5. Strategic Growth Planning

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- Most economic activity is now regional.
- Communities within the larger region and sub-region must identify their assets.
- They must create an attainable vision of the future prosperity they desire to achieve and develop strategies to achieve that vision.
- These strategies need to be embodied in a strategic growth plan, and the roles and responsibilities of everyone involved need to be clearly defined.

6. Regions as the Focus of Economic Development

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Start by Defining Your Economic Region

Regional Strategic Growth Fundamental Principles

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- For Strategic Growth to be successful in a regional context, it must be guided by four fundamental principles:
  A. Regionalism.
  B. Rural-Urban Interdependency.
  C. Strategic Assets Assessment and Strategic Growth Plan.
  D. Targeting of Resources.

- Characteristics of these Principles:
  - Deeply rooted in the fundamentals of the New Economy, regionalism and regional strategies.
  - Built on unique regional assets and opportunities.
  - Capitalize on regional comparative advantage in building regional and global uniqueness and competitiveness.

A. Regionalism

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- Economic regions transcend jurisdiction boundaries.
- Local units of government must work together to create a regional strategic approach.
- Regions have a core or several hubs which maximize spillover from the core/hubs to surrounding areas.
- Globally Competitive Regions seek to:
  - Attract knowledge workers as drivers of the New Economy.
  - Expand transportation choices (esp. transit).
  - Leverage green infrastructure for placemaking.
  - Recognize that diversity and tolerance promote the culture of innovation and knowledge creation.

A. Regionalism (continued)

- Regionalism entails:
  1. Partnerships (private-public and inter-jurisdictional);
  2. Promoting intraregional cooperation;
  3. Trying to avoid unnecessary duplication of functions that tend to occur across communities; and
  4. Recognizing the premier role of talent (creativity and innovation) as the currency of the future, and that New Economy firms are not as resource exhaustive or polluting as old industries.

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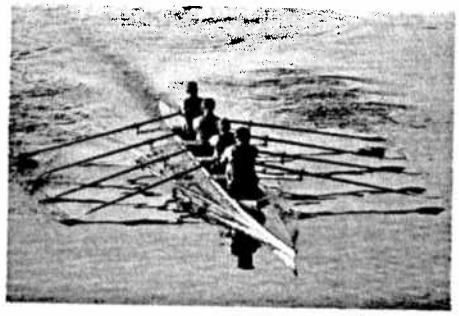
B. Urban-Rural Interdependency

- Prosperous regions have a thriving core with enough gravitas to benefit its surrounding communities.
  - Without enough substance in a hub, the region may not effectively be competitive, leading to a failure in delivering the synergy from local governments working together with each contributing its strengths to the region.
- A symbiotic relationship.
- Core City cannot prosper without a functional region that includes thriving suburbs and rural townships that value the city and its services/businesses, and offer diverse places to live.
  - Rural areas provide natural resource base for agriculture, tourism, as well as identity.
- Got to have a well-integrated transportation system that includes regional transit.



C. Strategic-Assets Assessment and Strategic Growth Plan

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- Region's with strategies that match their regional assets are positioned to prosper in the New Economy.
- Successful regions will build on their unique assets, and create an entrepreneurial environment in which new ideas can flourish.
- A strategic assets assessment must be conducted and used to create a Strategic Growth Plan for the region.

- *To Fail to Plan is To Plan to Fail in the New Economy!*

D. Targeting of Resources:

- Planning for inappropriate growth in the wrong place will result in wasted resources.
  - As public and private resources are limited (tight economy), development needs to be strategically placed.
  - Equal share model does not give synergistic benefits.
- Regions and communities within them must target resources and communicate in locating new growth that will benefit the entire region. This is usually done around transit systems.

Effective Strategies Require Regional Partnership

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- Relevant assets in the New Economy have a strong regional dimension.
- People, companies, and talent do not move to towns – they move to regions.
- Having an impact requires pooling regional resources and assets.
- It means local governments, schools, other nonprofits, and the private sector must all work cooperatively together to market the region and support needed infrastructure, like transit.
- Zero-sum growth does not work in the New Economy.

7. MSU's Role in New Economy Research and Outreach

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- MSU Land Policy Institute is doing cutting edge research into strategic growth in the New Economy (www.landpolicy.msu.edu)
- LPI also leading in job creating renewable energy research
- LPI is working with MSU Extension to build a statewide system of land and prosperity educators to take new research to Michigan's communities and help facilitate development of regional strategic plans.
- We view this as key to not only helping make Michigan globally competitive, but also to meeting our unique responsibility as a land grant university.

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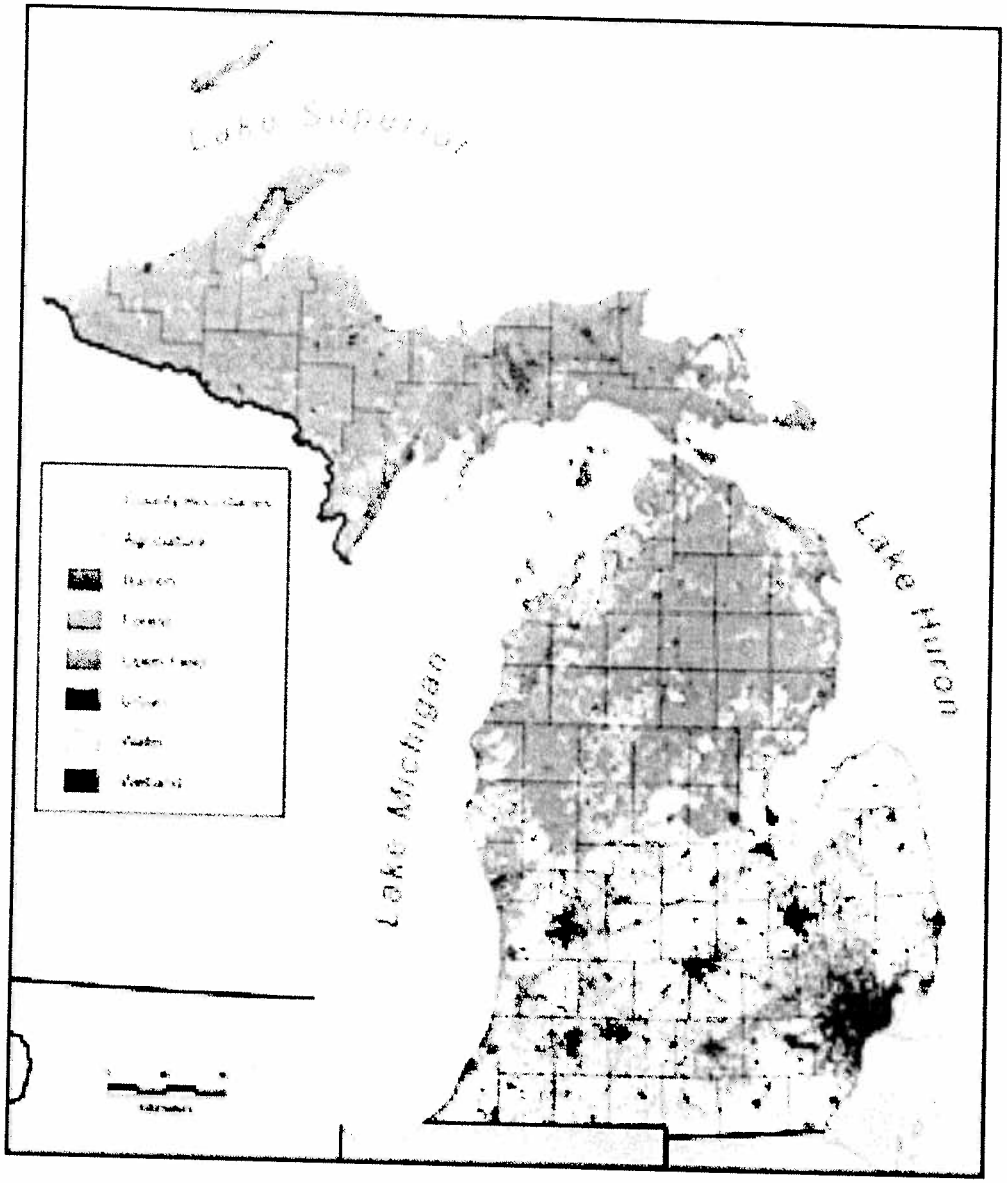
- Research and outreach of this magnitude is a huge challenge, in part due to the complex decision making structure for development decisions in Michigan
- We have over 1850 units of local government. All have authority for local planning and zoning if they choose to use it. This is 3-5 times more than an average state.
- Local governments labor without uniform state economic development and land use goals, like many states have.
- Michigan law does not clearly connect economic development, land use and infrastructure investment on anything other than an ad hoc basis.
- State spending on infrastructure does not target support for improving competitiveness in the New Economy.
- We can succeed if everyone is working to same goal.

Learning from Other Successful Places



What Michigan Must Do to Succeed in the New Economy

- Create quality places to live.
- Redevelop big cities (& add transit).
- Retain and attract people of talent.
- Support green infrastructure and renewable energy initiatives.
- Protect sensitive environments.
- Encourage innovative agricultural development.
- Pursue global market opportunities.
- Welcome entrepreneurs.
- Welcome and celebrate diversity.
- Welcome well-educated immigrants.
- Support higher education.
- Promote regional cooperation and planning for efficiency and success.

Legislators Have Asked
"What can we do?"

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1. Get well versed in the New Economy.
2. Recognize what worked in the past will not work same way in the future.
3. Support efforts to help Michigan citizens and businesses understand the global New Economy and how to work within it.
4. Listen to those who understand the New Economy and what it will take to move Michigan into it.
5. Before voting on a bill, ask *"How will this help Michigan move forward in the global New Economy?"*

Legislators Have Asked
"What can we do?"

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6. Advance the concept of economic regions and intergovernmental regional capacity building in legislation.
7. Reward communities that successfully work together on an intergovernmental and/or regional basis.
8. Fund statewide initiatives to spur the development of regional strategic growth plans.
9. Fund innovative implementation projects within places that advance regional strategic growth plans (such as regional transit).
10. Develop bold new initiatives with partners across the aisle and among diverse stakeholders across Michigan.

LPI Studies Soon to be Released

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- Chasing our past or investing in our future?
- Michigan's critical assets.
- Assets and prosperity in the New Economy.
- When people leave, what jobs do they take with them?
- How New Economy Assets move people.
- Talent competition and national prosperity.
- What is place?
- National Prosperity Index.
- How states grow?
- TIDE (Talent, Innovation, Diversity and Environment) ranking of Michigan communities.

In Summary:

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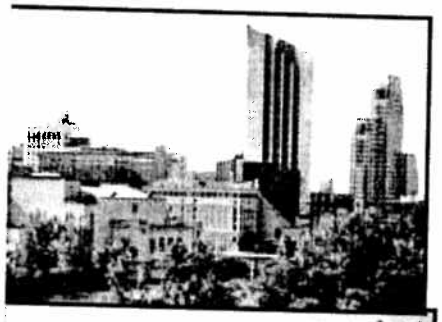

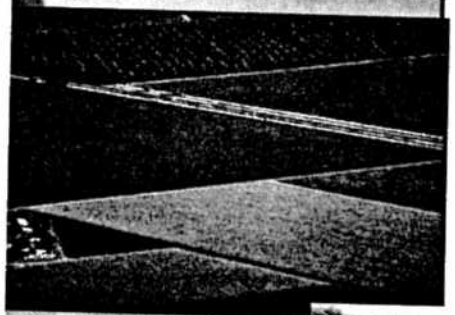

- Michigan has the assets to compete in the New Economy.
- Know your economic region and use its assets to build a better economy.
- Quality places attract knowledge workers.
- Quality places are built with careful planning and hard work.
- Globally competitive places are built with regional cooperation.
- Working cooperatively together, we can return Michigan to prosperity.

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Thank You

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