Inter-jurisdictional Cooperation & Prosperity

Key Issues and Considerations

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Perspective on MI's Economic Situation

- Worst economy in the nation:
  - Highest unemployment rate (likely to continue after national recession is over).
  - Greatest job loss & rapidly falling income (14 to 34).
  - Foreclosure, real estate value loss & wealth depletion.
  - Highest population loss.
  - Depleted municipal resources & impending financial challenges.
- MI rank at bottom in all major Metro Rankings:
  - Milken Index
  - Kauffman Index
  - Progressive Institute Index
- MI's counties rank low in straight comparisons on educational attainment or any of over 50 variables LPI has studied on comparable counties nationally.

Prosperity of Michigan's Places

Performance

- In the Milken Index, Michigan is persistently the state with the worst performing metro areas (of the top 200 in the nation we had 8 of the bottom 11 in 2009).
- The Milken Institute prepares this index annually with the Greenstreet Real Estate Partners and ranks in terms of how well these areas are creating and sustaining jobs and economic growth.
- It is solely an outcomes based measure. It does not include any input components such as cost of doing business or cost of living. The index measures growth in jobs, wages and salaries, technologies and output over a five year span.

2009 Rank	2007 Rank	Metropolitan area
189	188	Kalamazoo – Portage, MI
191	184	Ann Arbor, MI MSA
193	193	Cleveland-Elyria-Mentor, OH
194	192	Grand Rapids-Wyoming, MI
195	200	Lansing-East Lansing, MI
196	189	Holland-Grand Haven, MI
197	195	Warren-Troy-Farmington, MI
198	196	Toledo, OH
199	197	Detroit-Livonia-Dearborn, MI
200	194	Flint, MI

Milken Institute, 200 Largest Metros, 2009

How We Got Here

- 60+ years of national prosperity (industrial economy model).
- National economy carried most production places (Shift Share Analysis).
- Production places drove regional prosperity.
- Local growth essentially guaranteed.
- Entrenchment of old models of prosperity in Places like MI.
- Michigan is experiencing a prolonged clash between the Old & "New Economy".
  - Industrial Legacy (chasing the past).
  - Entrenched Mindsets (not ready for the future).
  - Place Habits (infrastructure, governance, go-it-alone, etc).
- To understand the New Economy, we need first to understand the Old Economy.

The Old Economy Model of Prosperity

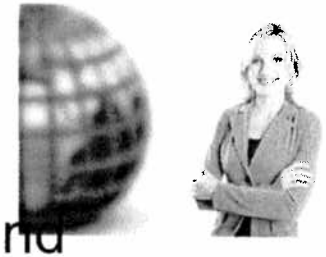
- The "Old Economy" term was coined to describe the prevailing economy of the U.S. in the 19th and 20th centuries (through the 1990's).
  - Prosperous places combined skilled workers with capital and places were defined by what they produced.
  - Skilled production workers constituted an ever-growing middle class of consumers.
  - Model was successful for many decades.
  - In fact, it is all most of us know.
  - MI was a major beneficiary due to early leads in industrialization.

- Globalization and Information/Communications Technology (IT) changed everything in the 1990s.

Old Economy Model of Governance

- Population will surely rise (just zone out bad growth).
- Tax revenues will surely rise (bond now & pay later in bad time).
- Masterplan sufficient to attain prosperity (fetters development).
- Focus government investments on Gray Infrastructure (roads, transportation, water and sewer).
- Focus economic development efforts on attracting manufacturing & production related industries.
- Compete with, not cooperate with neighboring communities.
- Regions are meaningless (forget regional strategy/infrastructure).
- Civic/business leadership less relevant than Government.
- Please voter, not lead them.
- Keep taxes low to make community competitive for industrial growth.

The New Economy Model



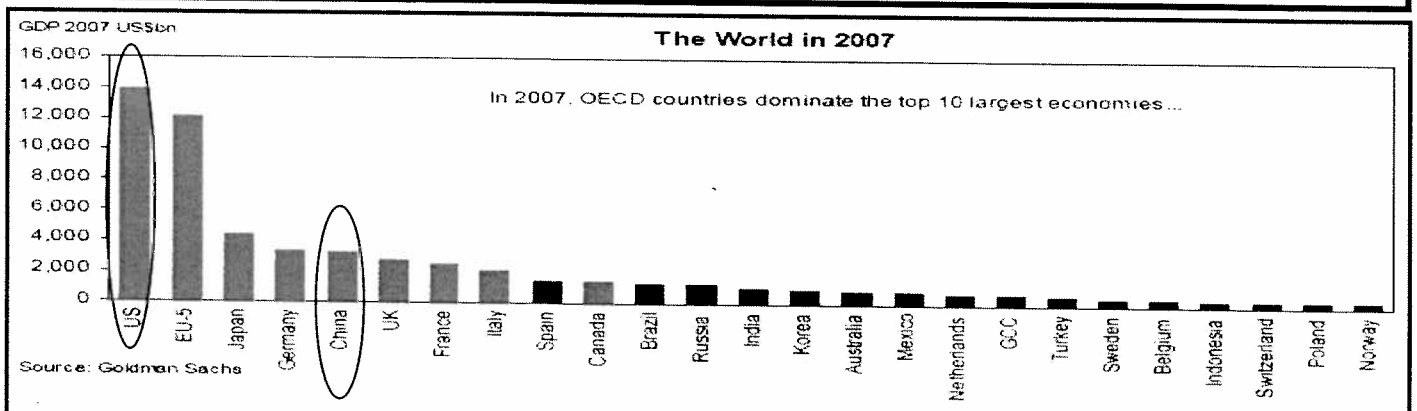
- The New Economy refers to a global, entrepreneurial, and knowledge-based economy where business success comes increasingly from the ability to incorporate knowledge, technology, creativity, and innovation into products and services.
- Small companies started by innovators and entrepreneurs provide most new jobs, not large manufacturers.
- IT & CT now make it possible for people and places to generate very high value and wages based on what they can think and imagine, not what they can produce with their hands.
- The difference between Old & New Economy is so profound – that the New Economy presents a new model, in how places achieve prosperity.
- Rules of prosperity have changed with the New Economy.
- However, MI's places continue to use old models hoping to achieve new things.
- Places well positioned in the past may not be well positioned in the future, depending on their readiness for the New Economy.
- Many MI places are still struggling to determine whether the new economy has arrived or is real.

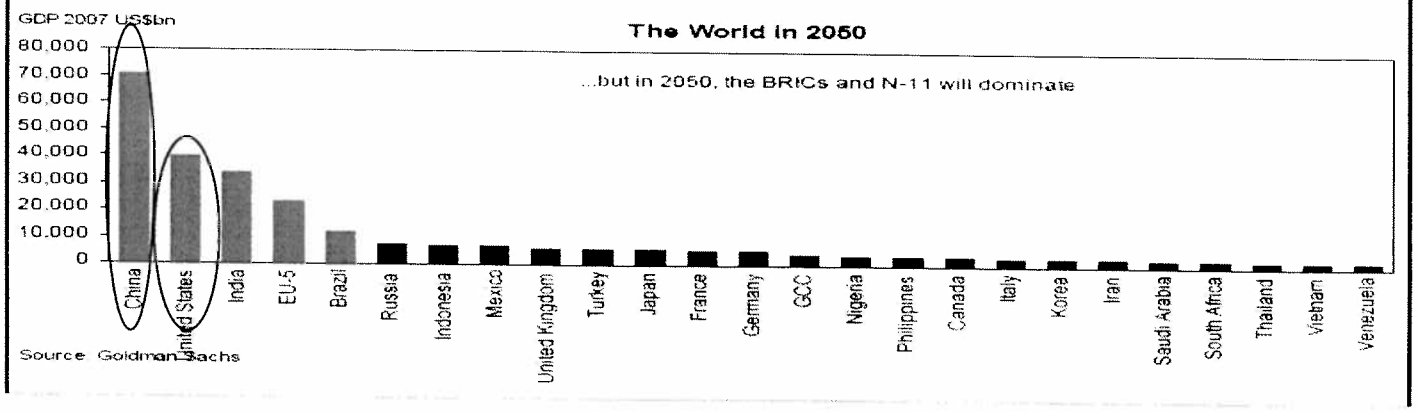
Old Economy, New Economy & Place Prosperity

Key Features of the *Old Economy*	Key Features of the *New Economy*
Inexpensive place to do business was key.	Being **rich in talent and ideas** is key.
Attracting companies was key.	**Attracting educated people** is key.
A high-quality physical environment was a luxury, which stood in the way of attracting cost-conscious businesses.	**Physical and cultural amenities** are key in attracting knowledge workers.
Success = fixed **competitive advantage** in some resource or skill. Labor force was 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.
Industrial sector **(manufacturing)** focus.	Sector diversity is desired, and **clustering** of related sectors **is targeted**.
Fossil fuel dependent manufacturing.	**Communications dependent, but energy smart**.
People followed jobs.	Talented, well-educated people **choose location first,** then look for or create a job.
Location mattered (esp. relative to transportation and raw materials).	**Quality places** with a high quality of life 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**.

What Communities Should Know About Globalization

- Economic growth increasingly occurring elsewhere.
- Brazil, Russia, India and China (BRIC) now account for more than 40% of the world's population.
- U.S. share of ***world growth*** fell from 19% to 12% in the past decade (*Business Week*, 2007).
- BRICs and N-11 nations will dominate the world economy by 2050.





2008 GROWTH FORECAST

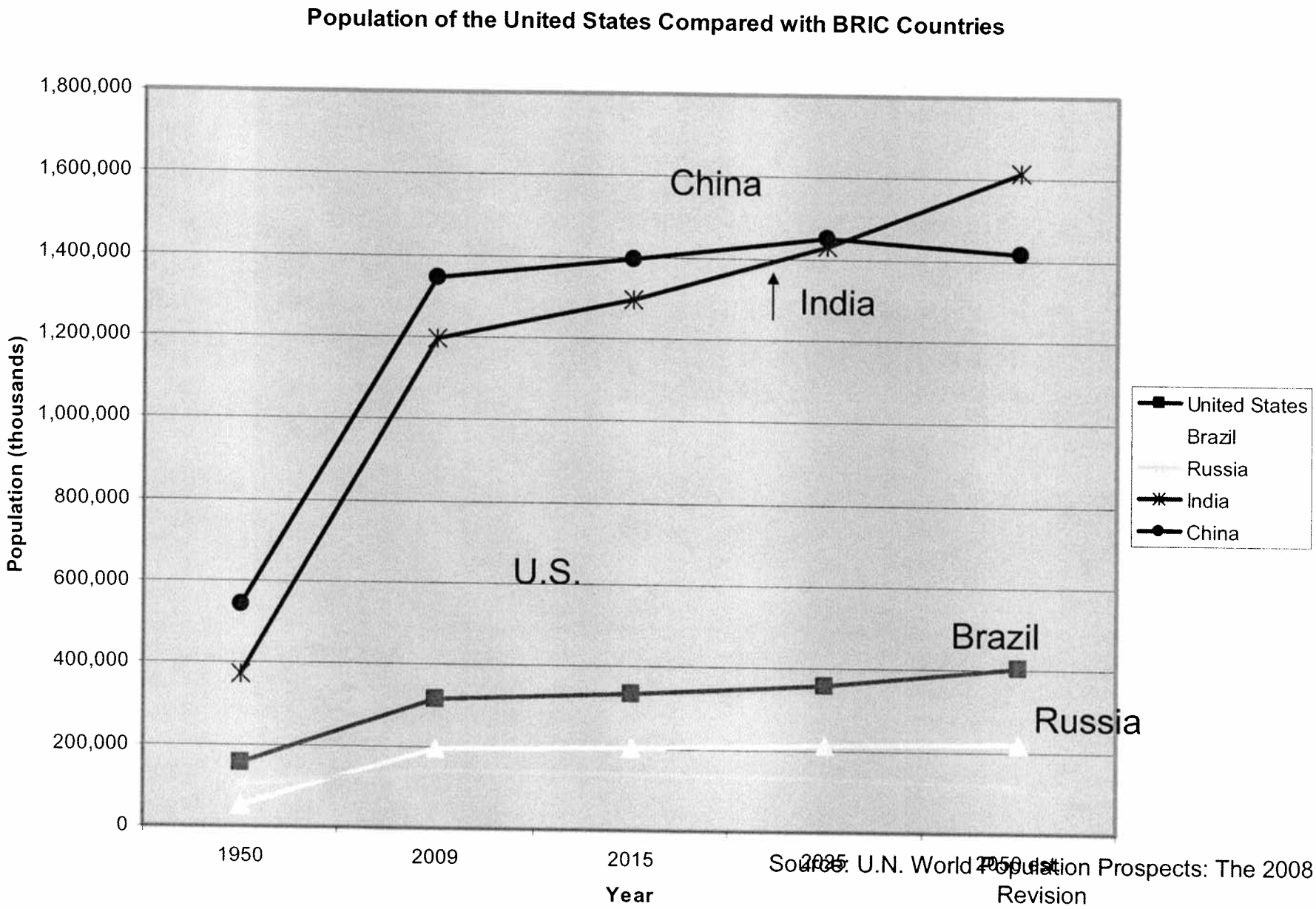
(In per capita GDP)

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%
Brazil	5.1%

Source: IMF, 2007

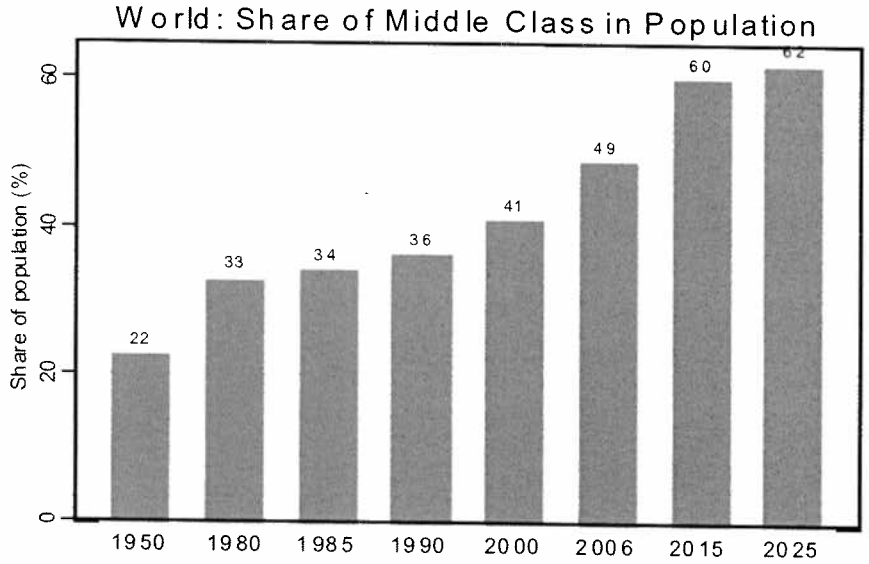
Data all before global financial crash.

Population of U.S. Compared to BRIC Countries

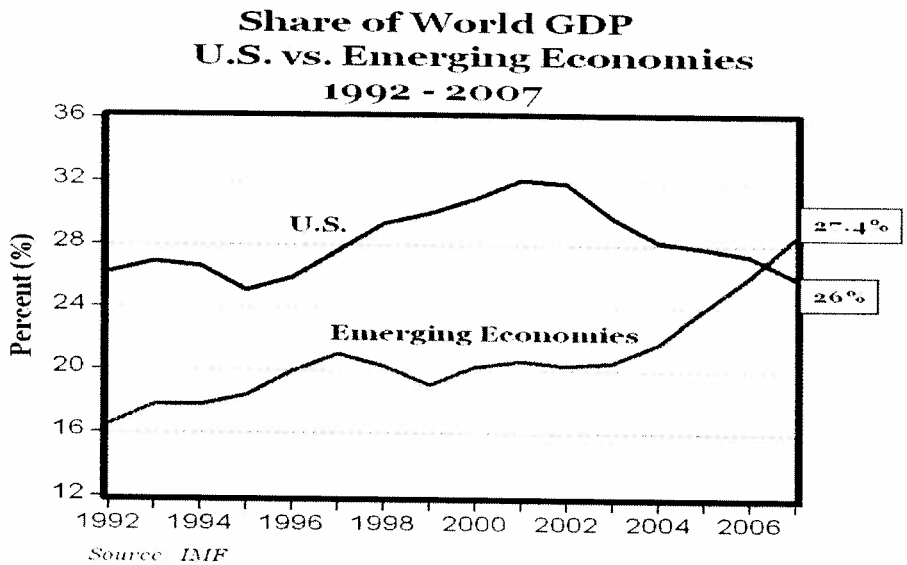


Source: U.N. World Population Prospects: The 2008 Revision

Global Economic Trends



Source: Surjit S., *Second Among Equals: The Middle Class Kingdoms of India and China*, forthcoming

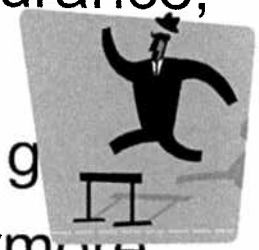


Source: IMF and the World Bank

- Growing private equity, capital, wealth.
  - 178 new billionaires worldwide in 2008 (19% more).
  - 19 Russians, 14 Indians, 13 Chinese, and 10 Spaniards.
  - Asia went from 4 to 14 people in # of richest 25 people, but America slipped from 14 to 5.
- Growing middle class in poor countries means economic activity is shifting.
  - By 2025, **India's** middle class will be 10 times larger than now, and **China** will have the world's largest.
  - In **Brazil**, customers have to wait three months to get a car.
  - In **Russia**, consumer spending grew by 24% in 2007.

The Rules Have Changed

- Every other town, city, and region in the world is now **competing** with us **for prosperity**. They
  - Have flexible infrastructure, a more flexible decision-making framework, and better partnership between places and between government and business.
  - Do not have our legacy costs (pensions, health insurance, etc.).
  - Can take more risk (nothing to lose & prosperity to g
  - They are not even paying much attention to us anymore.



- Perhaps the conclusion is inescapable: we have to ***change the way we think, act, and do business*** at every level in the public, private and nonprofit sectors in order to compete globally in the New Economy.

The New Global Economy is the Knowledge Economy

- To be competitive in the New Economy, we have to rely on our brains and not just our hands.
- Innovation, creativity, talent & knowledge are the key drivers of prosperity in the New Economy.
- Knowledge workers have become the most critical asset that a community can accumulate, and so are other assets that knowledge workers value (like green infrastructure, quality amenities, place persona, arts & culture, etc).
- These assets cluster regionally, or in places with gravitas and allure.
- Knowledge workers are mobile, and to attract and retain them, we must have a wide range of places they want to live.
- Knowledge workers want quality places.
- Few places in Michigan are presently globally competitive.
- We must also focus our economic efforts regionally and partner to maintain and advance prosperity.

The post-recession economy will emerge on a new platform.

- New places will emerge built on very different principles.
- The communities whose fundamentals are built on these new economy principles will prosper, while other will not.
- There exists opportunities to do things differently, with different results.
- Significantly unrecognized and untapped but critical assets that can be tapped if we understand what has happened, how the New Economy works and are willing to focus on the future, and not on the past.

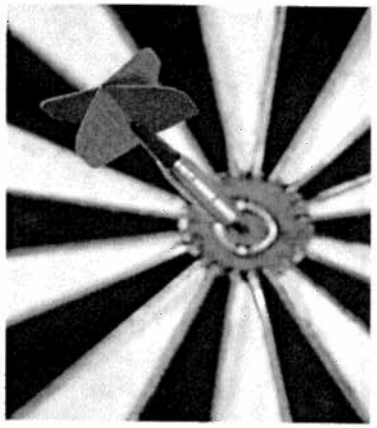
The New Challenge Facing Local Leaders is Prosperity

- Prosperity as I define it:

  "A state of stable, reliable and secure economic growth, with rising employment, income and overall quality of life, that ensures transcendental success."
- Quality places attract prosperity.
- People, companies, and talent do not move to towns – they move to regions or places with allure and gravitas.
- Regional efforts have much greater effectiveness than local efforts in achieving prosperity in the New Economy.
- Relevant New Economy assets have a strong regional dimension.
- Prosperity required partners.
- It means local governments, the private sector, schools, and non-governmental and civic organizations must all work cooperatively together to create and market the place.
- Zero-sum growth does not work in the New Economy.

Strategic Growth Plan for Prosperity – Adelaja

- In prosperous places, local units of government work together to create strategic growth plans for prosperity. They:
- Promote private-public and inter-jurisdictional partnerships.
- Cooperate, not compete, to discover their regional economic purpose in the global economy.
- Recognize that local competition wastes resources & diminishes the ability of the region to compete globally.
- Do not duplicate critical functions.
- Pursue a great quality of life that matches their economic purpose to attract relevant knowledge workers and entrepreneurs to propel their region.
- Promote creativity and innovation and create an entrepreneurial environment in which new ideas can flourish.
- Recognize that diversity and tolerance promote the culture of innovation and knowledge creation.
- Leverage green infrastructure for place-making.
- Invest in places that advance the partnership and the region.
- Match their strategies to their regional assets.
- Develop a framework for effective regional decision-making.

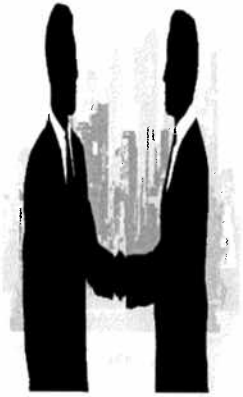


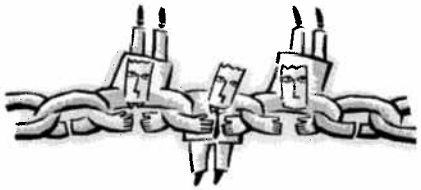
Dave Ivan: Prosperous Communities

- An environment that supports innovation and entrepreneurial development is fostered.
- Capital investments are made in New Economy Infrastructure.
- There is a commitment to developing a strong quality of place.
- Strong social capital is demonstrated through formal and informal networks, community engagement and authentic youth participation.
- Actively pursuing strategic alliances with other communities.

Strategic Growth Plan for Prosperity – Adelaja

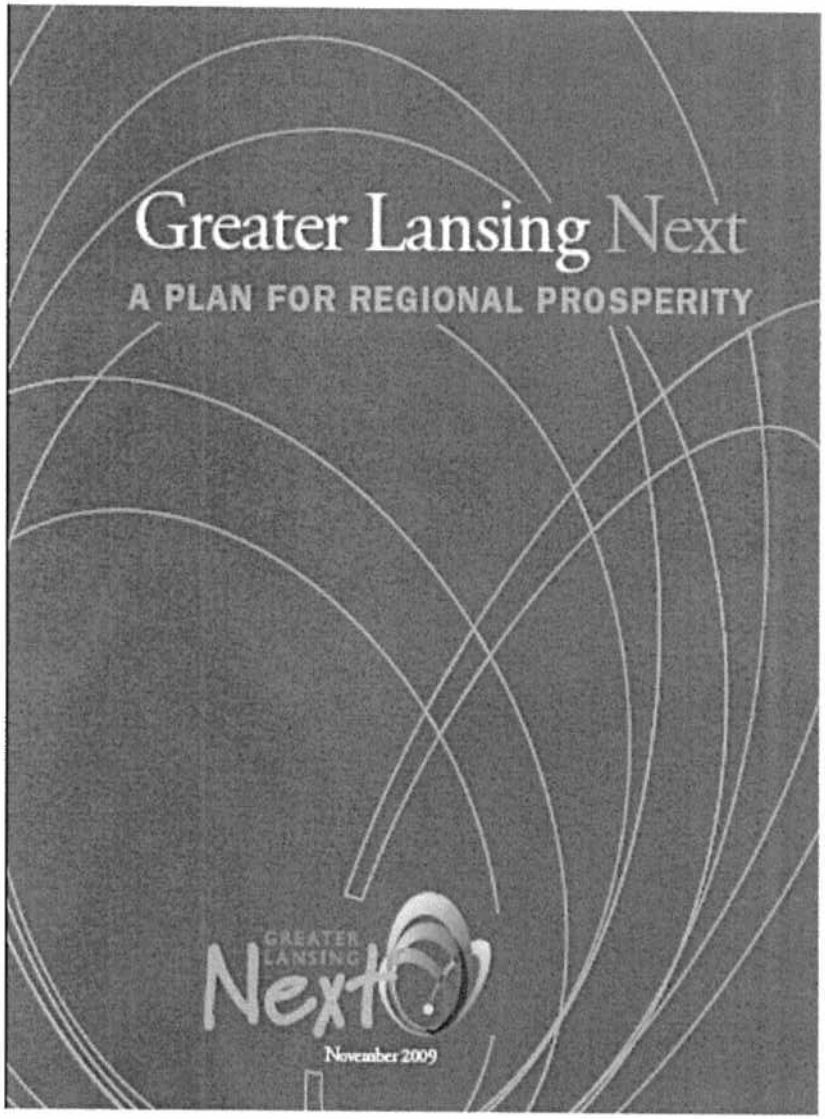
- Strategic Assets are:
  - Unique resources that can make a region distinct in attracting the right mix of resilient and sustainable growth and global opportunities.
  - Natural, environmental, community, and quality of life related.
- Examples of Strategic Asset :
  - Cities (talent, creative class, revitalization, etc).
  - Natural resources, ecotourism, hunting, fishing etc.
  - Regional transit (and spatial location of activity).
  - Universities and colleges (talent retention, tech transfer, incubators).
  - Medical facilities.
  - Transportation and highway access (proximity to markets).
  - Lakefront/riverfront (image, recreation, living opportunities).
  - Talent/expertise of business community.
- To Fail to Plan is to Plan to Fai (TFPTPF).





Strategic Growth Plan

- Contents.
  - A clear statement of vision for partnering communities.
  - A list of important joint assets.
  - Parameters/principles to link the assets to the vision.
  - Critical action steps and strategies to achieve goals.
- Plan Targets for Lansing Area.
  - Excel in entrepreneurship & innovation
  - Place a high value on education/knowledge
  - Be collaborative, flexible, and action-oriented
  - Be technologically savvy
  - Be focused on wellness
  - Be green, environmentally clean, and energy efficient
  - Be culturally rich & diverse
  - Be welcoming to new people and ideas.



Action Strategies

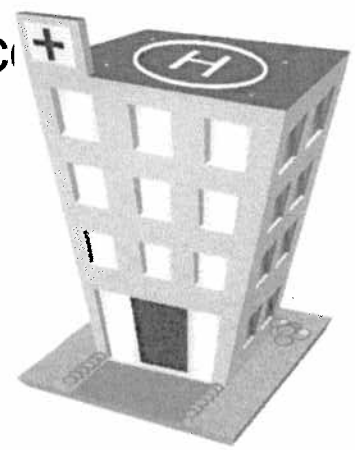
1. Expand Business Assistance, Acceleration, and Attraction Efforts
2. Expand Talent Attraction & Retention Efforts
3. Support Placemaking Improvements
4. Enhance Cultural & Creative Assets
5. Improve First Impressions
6. Expand Entrepreneurship & Innovation Services
7. Strengthen & Expand Our Regional Mission

Detailed Asset Assessment

- Inventory, mapping, concentration, location, analysis, etc.
- Economic analysis (Clusters, Location quotient analysis, and Shift share analysis
- Gazelle analysis

Unique Community Assets – An Example

- Gateway location with great highway access
- Large recreational lakes, several rivers
- Thousands of acres of public land
- Bikeways, snowmobile and X-country ski trails
- Private college
- Hospital
- Brownfields
- Established manufacturing base
- Local civic foundation
- Many recent downtown improvements
- Balanced population from age, education and inc
  standpoint



Place Characteristics

- To be remembered/appreciated a place must be:
  - Unique
  - Interesting
  - Indigenous and authentic
  - Linked to its surroundings
  - Have an activity center or multiple activity centers
  - Have a strong sense of place
- To be economically competitive a place must be attractive to knowledge workers, that means it must have:
  - Uniqueness
  - *"Allure, gravitas, pizazz"*
  - Inherent quality
  - Many interesting places within it

"Placemaking"

- *"Placemaking is the use of* ***strategic assets, talent attractors and sustainable growth levers*** *to create attractive and sustainable high energy, high amenity, high-impact, high income communities that can succeed in the New Economy."* Adelaja 2008
- It involves creating, with what we have, a destination point for New Economy attractors.
  - Positive identity, brand name and global visibility are key elements of placemaking.
  - You cannot be a *talent attractor* if nobody knows you exist, or if you are not connected to emerging opportunities.
  - You cannot be a global player if you do not discover and pursue your regional economic mission.

Key Considerations

- Cooperation, partnership or consolidation must go beyond doing same old together.
- Opportunity to distinguish Davidson based on assets and a focus on the New Economy.
- Potential model for communities and leaders.
- Focus on:
  - Placemaking, talent attraction, strategic growth plan.
  - Strategic investments in New Economy infrastructure.
    - Transit, trails, entertainment corridor, green infrastructure, etc.
  - Connectivity to Detroit and other major urban centers.
  - Strong imake.