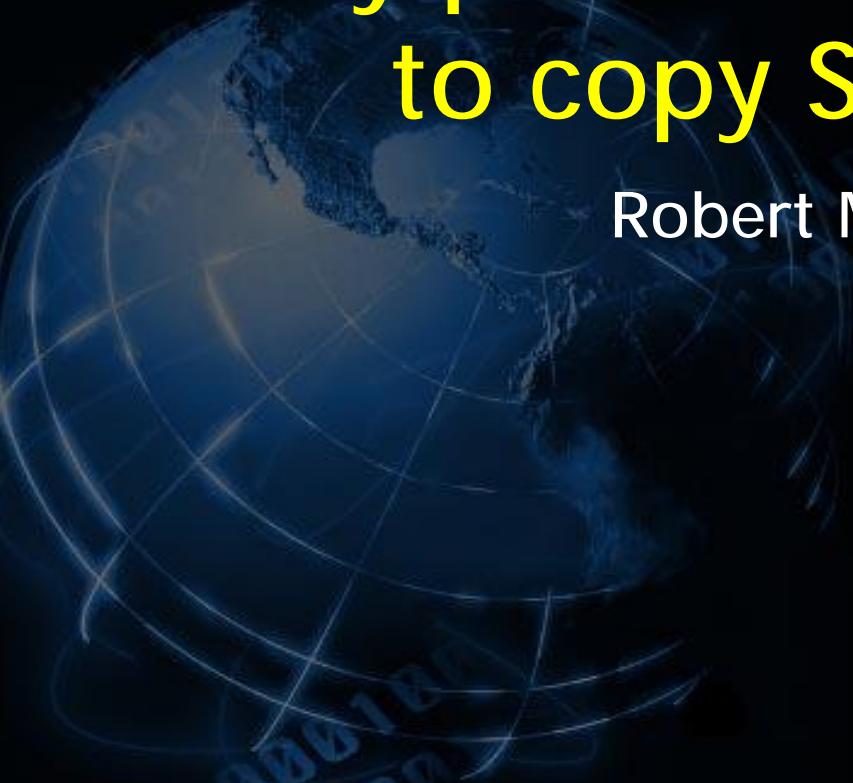


Cluster Development: A Path to Growth

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Wellsprings of Growth

- ¤ Growth is local & grounded
 - ¤ Innovation as cognitive, contextual process
 - Predicated on face to face interaction
 - common meaning and language
 - Characteristics of knowledge
 - ¤ Firms benefit through strategic location
 - Not by relocation but by investing
- ¤ Productivity Bump
- ¤ The Paradox of Globalization



**"Silicon Valley is probably the
only place on earth not trying
to copy Silicon Valley"**

Robert Metcalfe, 1998

Creation Myths Revisited

- ¤ The Key Question -- How do clusters come into existence?
 -  How do regions change from inert to active?
 -  How does entrepreneurship take hold and transform a regional economy?
- ¤ Against the Economic Development Sausage Machine
- ¤ Iconic clusters
 -  Hollywood, only the climate?
 -  Silicon Valley, only the University? VC?
 -  Historical accidents or serendipity
- ¤ More important were
 -  Social Processes
 -  Vision of New Possibilities
 -  Social Consensus

Jurisdictional Advantage

- ¤ Jurisdiction defined as political entity
- ¤ If you were responsible for a place what could you do to promote prosperity and economic growth?
- ¤ What are the relevant objectives?
 - ¤ Economic outcomes
 - What about community prosperity?
 - Distributional impacts
 - ¤ Social Outcomes
 - What kind of society do we want to live in?

Silicon Valley Reconsidered

- ¤ The Archetype?
 -  Unrealistic model
 -  Undesirable model
 -  Unsustainable model
- ¤ The Essence of Strategy is
 -  Doing something unique
 -  That is not easily replicated

What's a City/Region to Do?

- ¤ All Economic Growth is Local & Grounded
 - ¤ Place Matters
- ¤ Complex, self-organizing systems
 - ¤ Healthy ecology of actors & institutions
 - ¤ Appropriate Incentives
 - ¤ Black Swans
 - Can we really anticipate new technology?
 - Or future Economic change
- ¤ Government's Objective Function
 - ¤ More complex when compared to firms
 - ¤ Maximize residents' income and wealth
- ¤ Designing economic development strategy may be the ultimate local innovation

Coherent Systems

- ¤ Geography as a platform
 - ¤ Ideas do not stop at political boundaries
 - ¤ Outsiders see as the same entity
- ¤ Contiguous Localities
 - ¤ Often compete rather than work together
 - ¤ The closer the distance the fiercer the competition
- ¤ Political units as subsidiaries or divisions of the same economic entity
 - ¤ Complementary activities
 - ¤ Place in urban hierarchy
 - ¤ Urban and rural synergy
- ¤ Lessons from the Laboratories of Democracy

What is the Role of Government?

- ¤ Private activity is the Tip of the Iceberg
- ¤ What enables innovation?
 -  Capacity
 -  Incentives
 -  Institutions
- ¤ New Quasi-Governmental Entities
 -  Public-Private Partnerships
 -  Non-profits foundations
- ¤ Slow spiral of human progress
 -  Balance between public/private
 -  Pendulum ready to swing again
- ¤ Economic development is increasingly about social policy

The Terms of a New Debate

- ¤ Survival of the Fittest ?

- Construed to be Competitiveness
- Winner take all, casino economy

- ¤ Reconsidering Evolutionary Biology

- ¤ Advantages to Immunity

- Resiliency – ability to survive external shocks
 - Diversity – enough members survive

- ¤ Success at Hunting and Gathering

- More mundane activities

- ¤ Government as agent of collective action

- ¤ “Customers” are job-providing entities

- ¤ Subject to Citizen’s preferences

To Be Viable in the Global Economy

- ¤ Focus on local capacity
 - ¤ Build on existing expertise
 - ¤ Focus on local problems
 - ¤ Move to global markets
- ¤ Focus on problem solving
 - ¤ Applied R&D yields incremental ideas
 - ¤ Basic research yields/build out new platforms
 - ¤ Everyone has a role to play
- ¤ Focus on education
 - ¤ Broad-based and universal education
 - ¤ Ability to think creatively, write and analyze
 - ¤ Different from training
- ¤ Focus on social policy

Towards What End?

- ¤ Scenarios for Globalization
 - „ Equalization or reversal?
 - „ Universal participation or new feudalism?
- ¤ Innovation to what end?
 - „ Amelioration of disease and human suffering
 - „ Creating value or capturing rents
 - „ Has innovation become a end to itself?
- ¤ Time for a new golden age
 - „ Alternative to treating knowledge as a commodity
 - „ Or considering people as skilled factor inputs to production