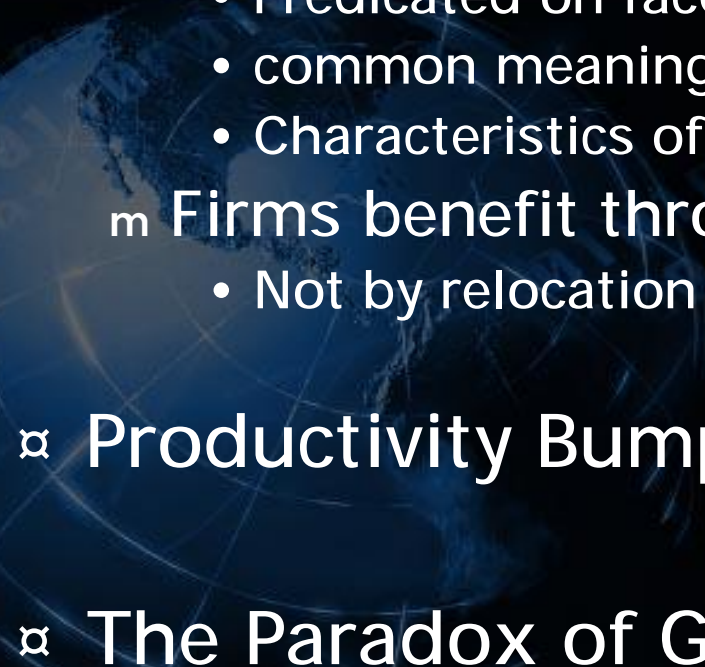




# Cluster Development: A Path to Growth

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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?
  - m Economic outcomes
    - What about community prosperity?
    - Distributional impacts
  - m 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 easy 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

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