

# The Federal Role



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# Policy-relevant Characteristics of Clusters

## Cluster Initiatives and Programs

## Absence of Federal Cluster Policy

## Federal Role in Stimulating Regional Economies – Principles of Approach

Every cluster is unique

Clusters differ considerably in their trajectory of growth, development, and adjustment

Three critical factors of cluster success--collaboration, skills and knowledge, and organizational capacities regarding innovation

Some industries have a small number of dominant clusters, which are typically in larger metro areas

In a state of perpetual economic transition, cluster dominance cannot be taken for granted

Geographic disaggregation of functions reshapes clusters from industry- to function-focused

New products and services can disrupt cluster dominance

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Market development

Education and training activities

Research, development, and commercialization

Innovation adoption

Networking within cluster, within region, and with clusters in other locations

New business development, firm and worker attraction

Representation of cluster interests before external organizations

are present across the full array of industry sectors

are in sectors of economic importance

carry out a diverse set of collaborative activities

allow economic or political boundaries

typically are industry-led, with active government and non-government involvement

can be subsidiary or stand-alone

typically have a dedicated facilitator

have participant numbers ranging from a handful to over 500

- Are industry-led
- Are inclusive
- Involve state and local government decisionmakers
- Create consensus regarding vision and roadmap
- Encourage broad participation and collaboration in implementation
- Are well-funded initially and self-sustaining over the long term
- Link with relevant external efforts

It is in the nation's interest to have well-designed, well-implemented cluster initiatives in all regions

However, while cluster initiatives often emerge as a natural, firm-led outgrowth of cluster development . . .

Public good and free rider problems

Mistrust among firms

Lack of knowledge

Lack of relationships or standing with key organizations

Lack of financial resources

Some are doing this in an ad hoc, “one-off” manner

Some have created programs to seed and support a series of cluster initiatives

Existing U.S. cluster initiative programs differ significantly in terms of level of effort, type of support, process of cluster election, duration, approach to cluster initiative management, and type of sponsor organization

The nation’s network of state and regional cluster initiatives is thin and uneven

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The large majority of European Union (EU) countries have cluster initiative programs in place, as do Japan and Korea

The EU operates the European Cluster Observatory

The U.S. federal government has been almost entirely absent from the realm of cluster initiative programs

As sub-national programs are “on site,” they are particularly good at relational and technical assistance tasks

The advantage of national programs is in

- Ø providing “on site” actors with information, knowledge, and financial resources
- Ø spanning political boundaries
- Ø providing nationwide coverage

In the 1940s, national economic policy focused on managing the economic cycle

The nation's economic structure looked quite stable and in need of central policy attention

- ø largely manufacturing-based
- ø dominated by a relative handful of major corporations
- ø based in well-established regional clusters
- ø not vulnerable to foreign competition

Efforts to enhance economic structure were addressed outside of traditional economic policy – e.g., NSF, FHWA, EPA

Starting in the 1960s, a focus on equity -- no region (ED) or worker (ETA) left behind

Approach to structural policies – top-down, prescriptive  
input-focused (infrastructure, labor, capital)

For nearly 30 years now, the nation's economic base has been in play—no industry or region can take its competitiveness for granted

But our approach to economic policy has not changed  
Local, disparate, siloed responses to the crisis of the moment  
e.g., Technology Administration, MEP, WIA, America's Competes)

Our national economic policy does not include a competitiveness strategy

Further, the federal government has failed to recognize that national competitiveness is a fund of regional competitiveness

Regional competitiveness in turn is largely a fund of cluster competitiveness

Hence, we have had no federal clusters policy

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The federal government's approach should be flexible, "bottom-up," and collaboration-oriented, rather than prescriptive, "top-down," or input focused.

The government should have a diverse tool kit, including information, knowledge, and grants.

The federal effort should be funded at a level appropriate to the need.

The federal effort should build and rely on the capacity of state and regional organizations to catalyze competitiveness

Federal policy should provide incentives to link, leverage and align existing federal programs that support regional economic development

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**CLUSTERS AND COMPETITIVENESS: A NEW FEDERAL ROLE  
STIMULATING REGIONAL ECONOMIES**

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