

# **Regional Innovation Clusters: The Obama Administration's Innovation Initiative**



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**These initial recommendations are based on the  
upcoming paper:**

**The Geography of Innovation:  
The Federal Government and the Growth of  
Regional Innovation Clusters**

**By Justin Masterman, Ed Paisley and  
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**Science Progress**

**Center for American Progress**

# Why now?



- Clusters have been embraced as an element of national competitiveness policy around the world – except by the United States government**
- The challenges of competitiveness and innovation are paramount**
- President Obama’s historic request for \$100 million to support regional innovation clusters and associated business incubators in FY 2010**

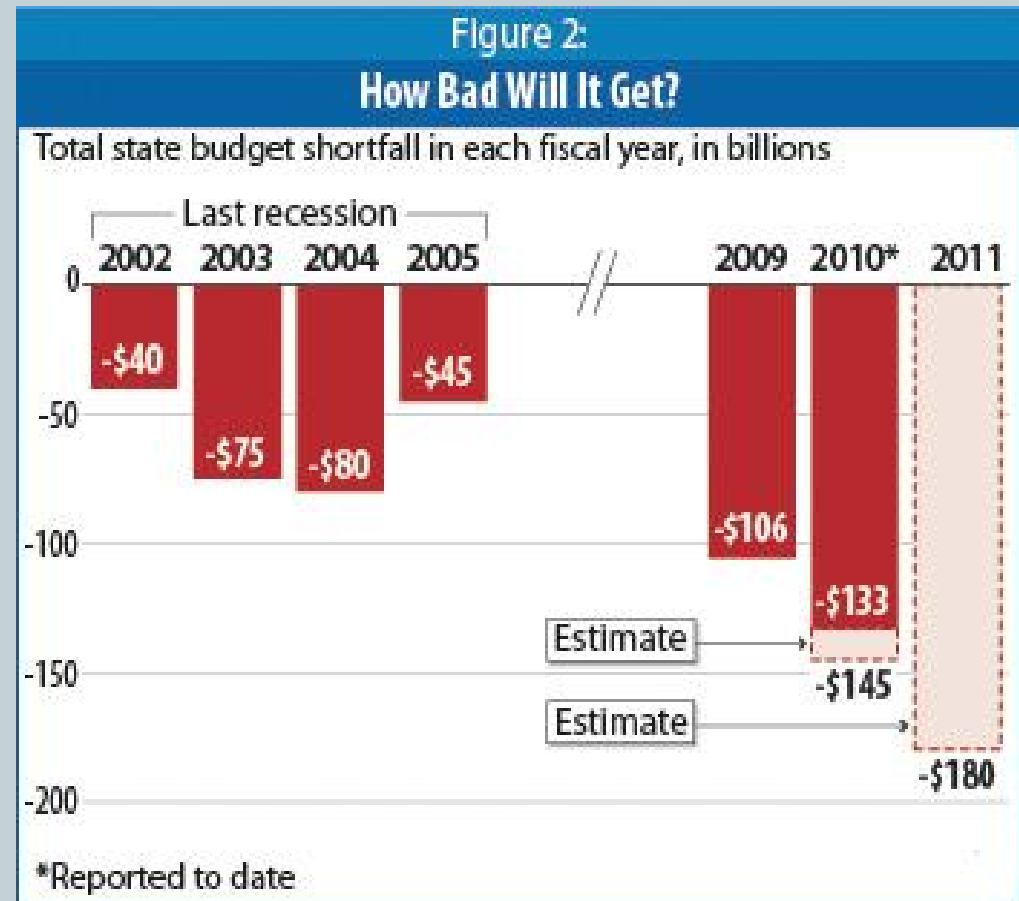
# State Resources Are Constrained



Source: Center on Budget Policy and Priorities

# Example: California, A Leader in Clusters

In light of budgetary catastrophe, California faces big cuts to education and R&D spending— with consequences for innovation and technology



Source: Center on Budget Policy and Priorities

# What's Missing?



## **Coordinated, sustainable federal support of innovation**

**There has been relatively little emphasis on how the federal government can effectively implement a regional-cluster strategy and why this would be sound public-policy**

## Government has Worked at the Regional Level



- Encourage strengths – don't try to create a cluster that lacks a solid grounding in the regional economy**
- Stimulate positive externalities – shared advantages**
- Create the network – government can act as an effective convener**
- Public institutions – universities, research centers, community colleges must play an important role**

# A New Innovation Initiative



**Develop regional innovation clusters  
and associated business incubators  
through the Economic Development  
Administration (DoC)**



# Benefits of the EDA



- Opportunity to re-focus EDA on economic renewal in a comprehensive fashion
- Existing infrastructure, expertise, personnel, funding and regional networks
  - Cost-effective
  - Time-efficient
- Well-located to coordinate existing programs, minimizing inefficiency
- Does not require the creation of a new institution

# Designing a Regional Innovation Clusters Program



**Three key features:**

- 1. Competitive, application-based grants**
- 2. Information exchange and flow**
- 3. Expert assistance; e.g. one-stop shops**

# The Grant Program



- **Competition-based and flexible**
  - Important feature in order to spur innovation in regional cluster strategy
  - Self-defined regions and clusters
- **Federal matching of grants**
  - 3:1 ratio for 3 years
  - 1:1 ratio after 3 years
- **Grants could be used for activities that include:**
  - Business incubators to encourage entrepreneurial activity
  - Training programs at local colleges and universities
  - Technology-transfers for small and medium-sized firms

# Grant Application Process



- Criteria for grants:**
  - i Move fast, with significant impact**
  - i Private-sector led with regional collaboration**
  - i Have a proven track record**
  - i Integrate distressed areas into larger regional economies**
  - i Further the goals of national “challenges” in areas such as energy, healthcare, manufacturing, and life sciences**
- Planning grants for cluster strategy can model the phased approach of the Department of Labor’s WIRED program**

# Information Exchange & Flow



- **Data**: Use IT to exchange and facilitate the flow of data important to cluster strategies:
  - i Between the federal government and regional clusters
    - ÷ Cluster identification, performance, composition; e.g. national information center
  - i Within the regional cluster
    - ÷ Inventory of strength, opportunities and infrastructure
  - i Between regional clusters
    - ÷ Research efforts, best practices and successful development models
- **Learning**: Design websites, wiki's, social networking for bottom-up and dispersed sharing of experiences, research, initiatives and best practices

# One-Stop Shops



- How can we create “one-stop shops” for hands-on, person-to-person assistance and training?
- Define the intended audience
- Align current federal efforts in targeted regions:
  - Evaluate existing Department of Commerce, Small Business Administration, Department of Labor and other business-generation efforts with a regional focus
- Suggestion: Pilot programs in test locations
  - Areas with dense resources and sparse resources

# Potential Criteria for One-Stop Shops



- 1. Initial inventory of need: bottom-up**
- 2. Importance of in-person expertise**
- 3. A cluster plan to share “shared advantages”**
- 4. Tight coherence between the distinct federal programs**
- 5. Integrate distressed areas into larger regions**
- 6. Convenient location to existing regional offices**

# Sound Public Policy



- Based on bi-partisan achievement and solid academic scholarship**
- By federal standards, funding requirements are modest**
- Federalism for the 21<sup>st</sup> Century – the specific but limited role of the federal government – to frame, facilitate and fund**



# Moving Forward



**We have a unique opportunity to create more and better jobs, businesses, and new technologies across the nation.**

**Funding and support for regional innovation clusters and business incubators through the EDA is central to this effort.**

# Comments & Kibitzing Please



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