

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



**JONATHAN SALLET**

**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  
Jonathan Sallet**

**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

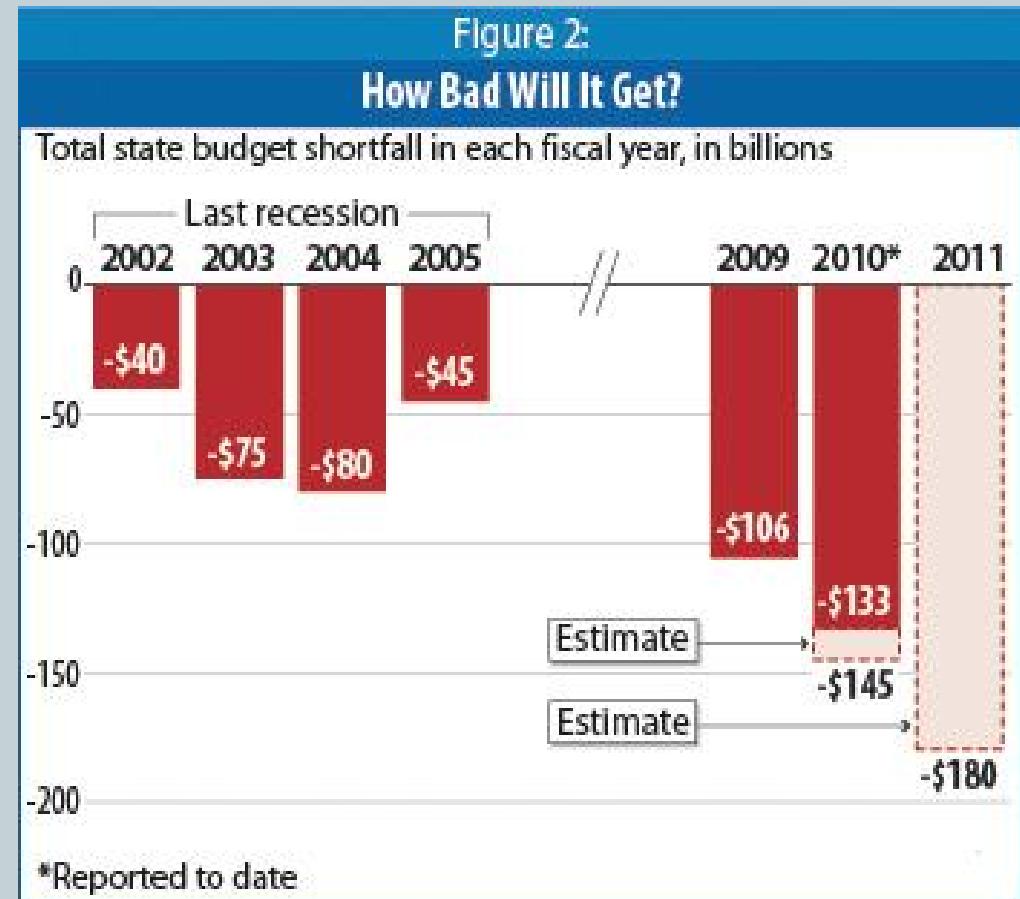
# State Resources Are Constrained



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

# Grant Application Process



- **Criteria for grants:**
  - | Move fast, with significant impact
  - | Private-sector led with regional collaboration
  - | Have a proven track record
  - | Integrate distressed areas into larger regional economies
  - | 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:
  - i 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
  - i 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



[JONATHAN.SALLET@GMAIL.COM](mailto:JONATHAN.SALLET@GMAIL.COM)

[JMASTERMAN@AMERICANPROGRESS.ORG](mailto:JMASTERMAN@AMERICANPROGRESS.ORG)

[EPAISLEY@AMERICANPROGRESS.ORG](mailto:EPAISLEY@AMERICANPROGRESS.ORG)