

# Executive Summary

The Great Lakes region of the United States is a unique economic, social, and cultural area made up of all or part of 12 states, including the western portions of New York, Pennsylvania, and West Virginia; northern Kentucky; all of Ohio, Indiana, Michigan, Illinois, and Wisconsin; and eastern Minnesota, Iowa, and Missouri. Home to 97 million people, this region is defined by a shared geography and natural resources, a dynamic political and economic history, and strong principles of social organization that together have shaped its growth and development. One of the largest industrial production centers and consumer marketplaces in the world, this highly urbanized “mega-region” is a vital global hub of economic activity and growth.

Yet, for all this, the Great Lakes region stands today in a precarious position. During the past generation, globalization, and the intense competition it has engendered, has diminished the region’s economic primacy, leaving its states and communities struggling to find their competitive niche. With one foot planted in a waning industrial era, the other in the emerging global economy, the region is teetering between a future marked by growth and innovation, and one that conforms to the “Rust Belt” label applied to the region due to the decline of its factory-based economy.

The time is now for Great Lakes leaders to articulate a meaningful agenda for what the states of the region and the federal government can do together to ensure that this economic giant steps in the right direction.

Having decided the past two presidential elections, national leaders understand the political importance of the swing states of the region. But they must also recognize these states’ tremendous economic value and support their efforts to transition from the industrial era, which they dominated, to the knowledge age. State leaders, for their part, need to fully appreciate the regional nature of their economy, and develop and advocate for federal policies and investments that would redound to the benefit of the region as a whole.

Certainly, the Great Lakes region faces several major challenges. Still heavily reliant on mature industries and products, its aging workforce lacks the

education and skills needed to fill and create new economy jobs. Its entrepreneurial spirit is lagging, hampering its ability to spur new firms and jobs in high-wage industries. Its metropolitan areas are economically stagnant, old and beat up, and plagued by severe racial divisions. And its legacy of employee benefit, job, and income security programs—many of which the region helped pioneer—has become an unsustainable burden, putting its firms at a severe competitive disadvantage in the global economy.

But the region is also endowed with several major assets that, if fully leveraged, could vault the region forward. Among them are a strong research, innovation, and talent cultivation infrastructure; critical mass and expertise in emerging industries from advanced manufacturing to health care; global firms and universities that are significant players in the worldwide exchange of ideas, people, products, and services; and the tremendous amenity and resource of the lakes and their waterways.

As 2008 approaches, the moment is ripe for regional leaders to forge a compact with the federal government around a series of policy innovations that will put the region on sure ground in the new economy. These innovations, if implemented, will help the 12 Great Lakes states to surmount their common challenges, leverage their common assets and opportunities, and together reassert their economic leadership in the nation, and the world. They fall broadly into educational, economic, social, and infrastructure initiatives:

*To cultivate the region's human capital, the Great Lakes states and the federal government should:*

- Forge a Great Lakes compact focused on producing highly skilled graduates of K-16+ school systems with rigorous curriculums in science, technology, engineering and design, and math (STEM) disciplines
- Build a Great Lakes “common marketplace” for education and employment, enabled by portable credit, credentialing, and pension systems that facilitate mobility between all states of the region
- Create a “Passport to Higher Education Program” that improves financial access to college and skills training through state and federal matching grants

*To fuel the economic engines of the region, the Great Lakes states and the federal government should:*

- Develop a Great Lakes emerging economy initiative designed to take advantage of the region's research and development infrastructure by substantially increasing funding for basic and applied research and development
- Forge a Great Lakes energy independence compact that commits significant new investments for research in clean energy sources and sustainable transportation
- Create a Great Lakes venture fund whereby state governors and other public and private sector leaders agree to dedicate a portion of state and private pension funds, university endowments, and foundations to growing new companies in the region
- Build out the North Coast by leveraging a national multi-billion dollar investment in lake restoration with strategic water-based economic development projects, cross-state branding and promotion initiatives, and improved public access to the lakes and their waterways

*To remake the region's social compact, the Great Lakes states and the federal government should:*

- Create new defined contribution pension systems whereby traditional benefits are converted to more flexible plans that are portable across state borders nationwide
- Remake the nation's re-employment system by allowing a portion of unemployment benefits to be used for retraining, and by subsidizing more generous benefits for workers who do get retrained
- Support health care reform by encouraging states in the region to join together to create low-cost, portable health insurance plans funded by employers and workers

*To strengthen the economies of the region's metropolitan areas, the Great Lakes states and the federal government should:*

- Design and embrace a new competitive vision for transportation policy that includes high speed rail, greater access to ports and freight hubs, and better maintenance and preservation of existing highway and transit systems
- Rebuild the region's crumbling water and sewer infrastructure based on a thorough assessment of regional needs and a “fix-it-first” funding strategy that prioritizes existing systems in established communities
- Reinvest in cities and older communities by targeting infrastructure and economic development funding toward catalytic urban projects and revamping federal policies that concentrate the poor in decaying urban neighborhoods

Time was when the nation and the Great Lakes states joined together to develop the land, the higher education institutions, and the economic infrastructure that helped put the region, and the country, at the forefront of the 20th century economy. And so they can again. A new 21st century federal-state compact focused on revitalizing the Great Lakes will help reanimate the attributes that inspired its past and ultimately reinvigorate and renew its contribution to the nation's future. ■