# THE BROOKINGS INSTITUTION

## METROPOLITAN BUSINESS PLANS:
## A NEW APPROACH TO ECONOMIC GROWTH

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PARTICIPANTS:

**Welcome:**

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METROPOLITAN BUSINESS PLANNING: INTRODUCING THE CONCEPT

BOB WEISSBOURD
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President RW Ventures, LLC

PANEL DISCUSSION: PILOTING THE CONCEPT

**Moderator:**

MARK MURO
Senior Fellow and Policy Director
Metropolitan Policy Program
The Brookings Institution

**Panelists:**

ERIC SCHINFELD
Project Manager for Economic Development
Puget Sound Regional Council

BRAD WHITEHEAD
President, Fund for Our Economic Future
Northeast Ohio Pilot Program

THE HONORABLE R.T. RYBAK
Mayor, City of Minneapolis

THE HONORABLE CHRIS COLEMAN
Mayor, City of St. Paul

PANEL DISCUSSION: REORIENTING FEDERALISM FOR IMPLEMENTATION

**Moderator:**

BRUCE KATZ
Vice President and Director, Metropolitan Policy Program
The Brookings Institution

**Panelists:**

THE HONORABLE RAY STEPHANSON
Mayor, City of Everett
President, Puget Sound Regional Council

DEREK DOUGLAS
Special Assistant to the President for Urban Affairs
Domestic Policy Council

DANIEL MALARKEY
Deputy Director
Washington State Department of Commerce

**Keynote Address:**

THE HONORABLE AMY KLOBUCHAR (D-MN)
United States Senate

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P R O C E E D I N G S

MR. KATZ: And just for folks in the back, there is an overflow room, though we like standing room only. I don't really know where the overflow room is, though. Well, if you walk out there someone will tell you where it is.

I want to just welcome everyone this morning and I want to give a special welcome to sets of friends and colleagues. First, the teams that have traveled here from Northeast Ohio and Minneapolis-St. Paul and greater Seattle. I really appreciate the time that you've put into the piloting of these Metropolitan Business Plans, but also by being here today. And then, also, to our friends from the federal government, we're glad you're open.

You know, I had my whole opening set up. The federal government is shut down, but metro America is open for business. (Laughter) I can't quite use it, but I saw John Fernandez from EDA, Derek Douglas from the White House, thank you so much for being here today and for being partners.

I just want to set the context for today. Sort of talk about the sequencing that we're going to have -- what we try to accomplish. Obviously, all the focus on the shutdown and really this relentless focus on the fiscal since the beginning of the year has crowded out the other major challenge facing the country, which is how to restart and restructure our fragile economy, both to create jobs in the near term, but also retool the economy for the long haul. So, in essence, the country's having only half a conversation today, a very important conversation about getting our fiscal house in order, but we're lacking the economic piece.

As some of you know, at Brookings, with networks of political and business, civic, and university leaders around the country, we've tried to make the point that we need to shift our economy from the growth model that proceeded the recession: one characterized by consumption and debt and innovating on the wrong things to one defined by productive, sustainable, and inclusive growth. And so that's why we talk about a next economy that's driven by exports and powered by low carbon and fueled by innovation and rich with opportunity.

So that's a vision where we export more, we waste less, we innovate in what matters, we produce and deploy more of what we invent, and we actually build an economy that works for working families.

So why exports? Because the U.S. needs to reorient our economy to take advantage of global demand that's coming from those nations that are rapidly urbanizing and industrializing.

Why low carbon? Because the transition to a clean economy is not just an environmental imperative, it's a market proposition as profound as the information revolution.

Why innovation? Because the U.S. needs to be at the vanguard of what is really a historic era of technological acceleration, not to just be the idea generator, but become a platform for advanced production. Going forward we will innovate less if we do not produce more. We must make things again in the United States.

And why opportunity? Because the prior consumption economy failed American workers, rewarding a growing share of our workforce with wages and incomes that were insufficient to make ends meet. The only way to build an inclusive economy is to build an economy that is productive and sustainable. So that macro vision of the next American economy leads us directly to the “metro scale” and our piling of Metropolitan Business Plans in today’s forum.

You’ve all heard it from Brookings before. The economy is metropolitan in form and function. The top hundred metro areas over about 500,000 of our population take up only 12 percent of our land mass. They house two-thirds of our population. They generate 75 percent of our GDP and they dominate our trade in goods and services. They concentrate the movement in people by air, rail, and sea. They’re on the front lines of the emerging clean economy and they’re our nation’s centers of innovation and talent and capital.

So that’s a collective view of our top 100 metros. But a productive economy, unlike a consumption economy, is not a uniform one. As everyone here knows, there is a sameness to big box retail and housing subdivisions, whether you’re in a suburb of Minneapolis-St. Paul or whether you’re in a suburb of Miami.

By contrast, Detroit’s exports are completely unlike Denver’s. Cleveland’s niches in the clean economy are dissimilar to that of Charlotte’s. And what makes Pittsburgh innovative is totally different from what make Phoenix innovative. So, to fully transition to the next economy, each metro area must intentionally build from their special assets and advantages and strengthen their strengths.

So that's a different kind of growth: purposeful, deliberate, collaborative, pragmatic. And like the economic vision at the macro scale, this tailored approach is the antithesis of the cookie-cutter approach that is defined -- and still defines -- too much of economic development at the city and suburban scale.

So, over the past 18 months, my colleague Mark Muro, the policy director at the Metro Program at Brookings, has worked with Bob Weissbourd at RW Ventures and a select number of metro areas that you'll hear from today to invent a new practice for metropolitan economy building, what we call "Metropolitan Business Plans."

We've set out to adapt the discipline of private sector business planning to the task of revitalizing and restructuring metropolitan economies. So each of these business plans provides a framework for regional, business, civic, and government leaders to assess the distinctive market position of their metropolis, identify strategies to capitalize on their assets, specify catalytic products, policies, and interventions and establish detailed operational and financial plans.

This is not a vehicle for inventorying problems. These are not hollow strategies. They provide a way for metro leaders to act as the engines of the national economy they are. After a rigorous competitive process, Mark and Bob selected teams from Northeast Ohio and Minneapolis-St. Paul and greater Seattle to pioneer this new practice. We tried, obviously, to achieve geographic diversity as well as showcase strategies that respond to metros with very different starting points.

As you will hear, the teams were led by very different kinds of groups and individuals: the Fund for Economic Future in Northeast Ohio, a network of cities and business groups in Minneapolis and St. Paul, and the Puget Sound Regional Council in greater Seattle. You'll hear the kind of strategies and action plans that they put in place that build on the distinctive strengths of their communities, whether it's retooling advanced manufacturing in Northeast Ohio or spurring entrepreneurial activity and commercialization of innovation in the Twin Cities or becoming the global hub of building energy efficiency technologies in greater Seattle.

These are not just exercises. These places are now primed with these plans to attract public and private investment and to create quality jobs and productive growth. And that's an enormous accomplishment by itself, but an equally important accomplishment, we think, is to restructure the way our federal system works, so that we invert the current top down, highly siloed, highly compartmentalized way that we've done business in the United States, literally, since the 1950s. By contrast, Metro Business Plans insist that federal and state investments and policies bend to metropolitan priorities, rather than the other way around.

So that's the context for this morning. Let me just give you a sense about the format. First, we're going to hear from Bob Weissbourd, president of RW Ventures, a nonresident senior fellow at the Metropolitan Policy Program, a long and storied history in economic development in cities and suburbs. I will not bore you. He is a friend of our program. He is an inspiration for the work that you'll hear about today. And he will explore in greater detail the theory and practice of metropolitan business planning.

Then we'll have two panels. First, the presentation of the three plans by representatives from each team which will be moderated by Mark Muro -- who, again, is our director of policy -- and then a panel featuring federal, state, metropolitan, and private sector leaders on reorienting our federal system to leverage metropolitan strengths through these plans.

And finally, we're honored to have Senator Amy Klobuchar of Minnesota, one of the states with a business plan here today. But the reason why we asked Senator Klobuchar to come is she is becoming a critical leader on export promotion, on innovation, and on competitiveness, more broadly. So, Bob, this is your turn.

MR. WEISSBOURD: So, first of all, I want to thank Bruce for not telling the stories. And thanks to Amy and the entire Brookings staff for the work they've done on this project and for their leadership in this field over the last 14 years. And I want to single out Mark Muro; he's been kind of my partner in crime in making this happen.

Most importantly, though, you'll be hearing from the leaders in the regions who really brought this to life. We had an idea and they've done the really hard work that you're going to be hearing about.

Thanks also to all of you for being here. I think what we're trying to do here is introduce a new innovation in the field that can profoundly change the practice of economic development at all levels and of all types. So, it connects housing development, business development, it connects neighborhood development, and city and metro development. And with your help, we can really co-invent a new way of doing business that enables metros to then drive growth across the economy.

It does two things: this approach introduces what we call metro economics in order to better understand how regional economies work and it introduces metropolitan business planning in order to better practice regional economic development, to move this from the theory to the practice.

So what I'm going to do is very quickly first review the economics behind this that underlies this approach. It does reflect these metros and other metros trying to get a deeper understanding of the unique assets and the workings of their local economy in order to, in a powerful way, develop more sophisticated and comprehensive and integrated and genuinely effective strategies that are tailored to their opportunities.

I'll then turn to practice. These are not conventional aspirational plans. They are the formation and launch of an ongoing enterprise. And finally -- and I really meant to thank our partners in the federal government who are here and have been so helpful in shaping this and responding to it. There is a parallel purpose in metro business planning, which is to enable the investors in metros to really treat them like investments and to realign their programs to support that.

So this boils down thousands of pages of economics, so forgive the shorthand, but there's really three advancing fields of economics that inform.

This, the first, is economic demography: demonstrating that the concentration of assets in metros is what creates the synergies that enable them -- metros to disproportionately produce the wealth in America. And it means that we need to pay more attention to exactly what assets we have and how they're interacting and how we can improve those interactions. As it turns out, the same person or firm with the same characteristics, you move them into a metro, they are more productive, they make more money, they produce more outputs.

Second is new growth theory, right? In a knowledge economy places are diverging. It used to be places caught up with each other when labor and capital went to places they were underutilized. Knowledge doesn't have diminishing returns. You concentrate knowledge, it attracts more knowledge, it produces more innovation and productivity, so places are differentiating and they're specializing and the economy doesn't take care of itself anymore. It means we need to be more intentional and, again, we need to focus on our knowledge assets.

And finally, institutional economics. Institutional economics tells us that the enabling environment for economic activity and that includes public and private and civic sectors as important, and becoming more important in the knowledge economy because that's what enables the networks and synergies and interactions that we're concerned about.

When you put these three together, what three core principles come out that inform this work? The first is that we have to start addressing the parts in isolation. We have to stop doing housing out of context of infrastructure.

We have to stop doing human capital development out of context of what jobs we're creating to employ the people. We need a comprehensive and integrated approach.

Second, we have to customize it. It's just no longer one size fits all as a policy or practice matter across metropolitan regions. And finally, you cannot do this in the backroom. It is not a one-time effort. It entails developing real institutional capacity, not only to bring intentionality, but to execute, to see how well you're doing, and to keep correcting course.

So we organized this work around five leverage points and these are a work in process. We thought they'd change a lot. They have changed some as we've worked in the regions. I'm sure we'll keep changing them.

One thing that's important is we intentionally did not add leverage points for sustainability or equity. Those are not additional sidelights. Those cut across all of this work. It is clear at this point that both of them inform what makes metropolitan economies succeed.

I'm going to through these really quickly. Forgive me, but you'll really hear about them in the panels. The first is what we refer to as concentrations. This is often talked about as clusters. We use concentrations because it refers to occupational and functional concentrations as well, and cultivating the benefits of concentrating -- this is the production side of your economy, so this is where the wealth comes from -- cultivating the benefits of concentration, understanding in very nuanced ways beyond the straight data analysis and standard quantitative stuff. What firms and occupations are in your economy and how they're interacting and working and how you can improve their interaction is at the core of this work.

Second, human capital. It's long been true that human capital is a key input to economic growth. What's different here is the human capital itself won't grow your economy. It has to be deployed. It has to be aligned with the production side, with the cluster strategies and the innovation strategies. So our focus is on what human capital, having the right human capital, and on your labor market efficiencies.

Third is your innovation infrastructure. Innovation has always inherently been the long-term driver of overall economic growth in the economy. What's different now is the faster the case of change in the economy and the increased importance of knowledge mean that local innovation is more important and can be done more deliberately. We're learning to be more strategic about particular places and where in the stages of innovation they have opportunities, or in building a network for innovation. They have deficiencies that can be cured.

Finally -- not finally -- for special efficiency. So, from an economist point of view, the very reason we have cities is to reduce the transportation cost of goods, people, and ideas. It's kind of that simple. And so we need to focus on how we organize the consumers and the businesses and the suppliers and the workers to efficiently get back and forth and transact and transport. It means we need a reduced congestion; we need a maximized density and mixed-use communities. We need to avoid segregation and concentration of poverty.

Finally, the institutional environment -- I'm going to spend a little extra time on this -- and I refer to governance, not government to mean to include not just government, which is obviously the gorilla in the room, but also the public and private sector and the cross-sectoral activity. And it's a big subject and I'm convinced we're moving exactly the wrong direction.

In the United States over the last 50 years, we have created a new government every 18 hours, right? In the course of today, we will create a government. I'm from Chicago. We have almost 1,300 units of government; Illinois, 8,500 units of government. I have more governments in my state than barber shops or dentists, okay? (Laughter) So this horizontal and vertical fragmentation is resulting in all these fiefdoms and all these inefficiencies. And there's a lot of work now about, literally, the inefficient allocation of resources. It does not serve the public or the taxpayers well and I think explains a lot of the anti-government sentiment that informed both the Obama campaign and the Tea Party. And it's moving exactly the wrong direction because, at the same time, the economy is getting more dynamic -- churn, the births and deaths of firms.

Interesting thing that firms dying in your economy is a good thing. It's the redeployment of assets to the next economy Bruce is talking about. And the places -- I used to love working in places that had -- excuse the expression -- old boy networks, top down governance. You get a few people in the room, get the deal done. That worked in the industrial economy. It worked in the turn to the knowledge economy. Not working now. The places that's doing best now have governments that are tolerant, that are open, that are accessible, that share information, that tolerate risk, that attract entrepreneurs.

So, if you bring this together at the kind of conceptual level, to get to the next economy in this context of a knowledge economy, where cities are specializing and dynamic, you need to do two things that are totally reinforcing. One, you need to understand your unique assets, build on them, and compete on value added, not on low cost because those aren't the firms you want. They're not going to stay, anyway. The other is you need the intentionality and the institutional capacity to do that. Working on the substance helps you bring the right people to the table. Getting the right people to the table helps inform the substance. These two things are mutually dependent.

So, when we thought about how are we going to do this? How are we going to illustrate this in particular regions? And we thought about what the tasks were, right? Look deeply at the assets in your economy, understand your market, develop strategies and products and real executable operational plans. We realized there is a proven discipline in the private sector for doing this -- business planning. And the analogy -- we thought rough analogy and it turns out it's not rough. It really cuts pretty well, you know, and we've adapted it and it's not perfect, but it cuts pretty well.

And as you'll hear and you'll see from the written documents, this discipline has really seemed to work. We've been at this 15 months. Each of the pilot regions has written a Metropolitan Business Plan that has two parts: a strategic overview that covers the whole breadth of the economy, so it goes across all these leverage points and develops market analysis and strategies. It does not go -- in 15 months you don't go deep in every one of these areas. So it picked one catalytic, major lead strategy and did a full business plan for that strategy.

I love talking about these. I don't get to today because you're going to hear it from the creators. There's one other thing that goes with these Metro Business Plans. Each region has written a prospectus, right? So what we are saying here is that cities are no longer places of need looking for handouts from 1,000 fragmented programs. We're the ones who drive the economy. And if we think metropolitan regions are the solution, not the problem, and that they drive the economy and that this is a serious business enterprise and proposition, then the plan should be able to convert to investment opportunities, and they do. And the prospectuses, literally -- just like investment prospectuses -- present those opportunities to the investors, which takes me to the last point.

We operate in a government, and I use the federal example, but this is true at the state and local levels, too, but that it's very highly siloed. And, in fact, drives the silos down to the regions so it is very difficult for the federal government to go first here even though I think the intent is there and there's a lot of effort going on to create cross-agency programs.

And recently there was a GAO report that was issued that identified 52 programs spread across 4 agencies just to fund entrepreneurship, right? So if the regions are specializing and one size does not fit all, and the pieces fit together in different ways and in different places, then even if we want the federal agencies to coordinate and pool funding and behave in tailored ways, they can't do it unless we go first.

But we hope as we break down these silos that it will flip this paradigm on its head, that we will, in effect, be saying we generate the taxes you depend on, we generate the Gross Domestic Product. You need to invest in us and for the same amount or less than you're currently providing through all these fragmented programs. We're prepared if you give us flexible, more performance-based funding to produce more value for you. I think this will cost the government less and it will get more return.

We will behave in more business-like ways. We will identify serious investment opportunities and we will be accountable for performance outputs. A very rough fact because these are very rough numbers: Chicago metropolitan area gets about $54 billion in federal spending. The federal government collects about $70 billion in taxes from people and corporations. That is a great return on investment, you know. So that's where the federal government needs to get its money.

So we are very hopeful -- and you'll be hearing later from representatives of the government -- we are very hopeful that this is creating opportunities. It is early days yet, and we all have a lot of work to do to figure out how to make this work well.

So I think what we know is that the theory in research and the great work of Brookings over the last decade have really demonstrated that we need to supplement macroeconomics with what I call "metro economics." And, you know, because metropolitan regions are creating the wealth that drives the global economy and we need to learn how to tailor investment in them. In order to do that we are introducing metropolitan business planning to try and move this theory to practice. It is, I think, a particularly important and exciting venture and I really appreciate your attention to it, your coming here today. And I hope you'll all join us in getting this right. I believe together we can create a new way of doing business, a new way of doing economic development and chart a new course for metropolitan and, so, national prosperity. So I thank you. (Applause)

MR. MURO: Great. Good morning, everybody, and thanks for coming to this introduction of a new concept and thanks, Bob, for a really good review. Now, though, let's move from concept to execution, or at least the initial stages of execution. It's time to hear about the plans directly from their creators.

I'm Mark Muro. I'm a senior fellow and a policy director here at Brookings Metro. It's my great pleasure to introduce representatives of the three initial pilots of the regional business plan concept. One at a time, almost like a venture capital road show, these outstanding leaders are going to come up and pitch their plans and proposed initiatives and then we'll have a short conversation about them. And you should feel free to invest in them.

I should add, though, that I can vouch for the extraordinary labor and creativity that has gone into these blueprints. Trust me, the pilots were labors of love as well as pain, but in any event these teams, over a year, have poured a ton of research, analysis, consultation and project management into efforts that have gone far beyond -- I think we can say far beyond the norms of economic development practice in this country. Leaders in their own right prior to this work, each of these teams has now, I think, embraced the challenge of demonstrating a quite different method through which regions can at once rigorously analyze finally who they are and their market position, identify strategies to capitalize on their assets or begin to remedy deficits, specify really game-changing interventions, and establish, you know, really quite detailed plans and performance benchmarks to make it happen, and we're highly oriented toward making these happen.

So, without further ado, I'd like to take us first to Northeast Ohio -- we're going to have a journey westward but we'll start in Northeast Ohio -- where Brad Whitehead, president of the Fund for Our Economic Future consortia of philanthropies, has led, I think, a very smart effort to design a new intervention to help retool smaller manufacturing firms and retrain industrial workers while also drawing substantial diverse planning efforts in the region together. So, Brad, let's hear about your plan.

MR. WHITEHEAD: Thank you, Mark, and good morning, and greetings from Cleveland in Northeast Ohio. When Bruce set the stage and he mentioned that he picked three metro areas based upon their differences and you mentioned Seattle, Puget Sound, and St. Paul-Minneapolis, I'm guessing the central casting role that you had for Cleveland when you put that one in, because my guess is many of you likely have a narrative in your mind of Northeast Ohio and it's probably one of a hard luck dying Rust Belt community that is grounded in an image a lot like the one that you see on the screen in front of you. That's a picture, by the way, of Arcelor-Mittal, the steel mill which is located just inside of downtown.

So, for many people we're the city of the burning river. Heck, we're the community that couldn't even hold on to its most valuable assets who decided to take his talents down to South Beach. But we did beat them twice this year.

But what I'm here to talk to you about this morning is to suggest that there is a new narrative, a new narrative that's taking hold in Northeast Ohio, but don't take my word for it. President Obama recently came to town with a large number of his cabinet members and talked about the transformation that's taking place and he made a charge that the rest of the nation should transform itself, in his words, "Cleveland style."

The new story of Cleveland and Northeast Ohio's rejuvenation, which we'll talk about, is actually an old story with an important new refrain. In Cleveland and Northeast Ohio, we know how to make things and it's that manufacturing and engineering knowhow that was really at the corner of our community that made it the Silicon Valley of innovation a little over a century ago that now stands at the heart of our intentional -- emphasis on intentional -- strategy to transform our economy.

Now, nowhere is this story of our future told more clearly than the case of GrafTech. Now, GrafTech is a Cleveland-based company with an industrial tradition that stretches back to the 1800s. In addition to making tiles for blast furnaces in the steel industry, their big claim to fame is that they made the electric arc carbons that they supplied to Cleveland that allowed us to become the first city in the world with electric streetlights.

And so with that history in big steel in the 1800s, you would think that they would be exhibit A for a company that never would have made it past the 1970s, but instead, they have applied their knowledge of heat dissipation into a variety of new higher growth markets that include energy storage, LED lighting, and consumer electronics. In fact, it's my guess that the cell phone that's probably buzzing in your pocket, the reason that's not burning a hole in your leg is because of GrafTech heat dissipation technology.

So, our challenge in Northeast Ohio is to make innovation business as usual in our manufacturing-led economy. Now, as this graphic illustrates, it's no secret that the years have not been kind to our economy. For many years we underperformed the nation in terms of economic growth which in turn resulted in flat to declining employment and population growth.

Now, at the root of our challenge is our industry structure. If you look at our present set of industries that are reflected here in this graphic, you see that Northeast Ohio underperforms as compared to the national economy. We simply have had too much of our industry base in low growth commodity sectors. Now, the task we face is simple to explain, it's a little trickier to pull off. We have to migrate our structure from low growth, commodity-based, to higher growth markets. Now, the good news? That's exactly what we're doing and that no one is yet standing on the deck of any aircraft carrier declaring mission accomplished, but we have made strong progress.

Last year Cleveland was the leading market in the nation in terms of job growth, and the recent Brookings Global Metro Monitor Report ranked us in the top third of global economies in terms of job and income growth in the post grace recessionary period. So, we feel like we've got the wind in our sails.

Now, at the heart of our strategy has been an intentional integrated regional effort that has involved pretty much the entire student body of Northeast Ohio. It began roughly a decade ago and was given a strong boost, considerable refining and increased rigor in our collaboration with Brookings over the last year. Now, I'll say that Brookings may push you hard and they, quite frankly, sometimes make your life a living hell, but they do do very good work.

The "what" of our business plan is involved identifying opportunity-rich industry areas which we are well-positioned to serve and then to ensure that we have the workforce, technology, and other capabilities that enable us to meet the needs of those areas. The "how" is about connecting the assets of the entire region and ensuring that we have efforts of sufficient scale in order to make a transformational difference.

The business planning process brings rigor and it's helped our community understand what matters. Perhaps more importantly it's about getting alignment of priorities because while it's unrealistic to expect that anyone could tell the city of Cleveland or the city of Akron or the state of Ohio what to do, it is realistic to think that you can get alignment among them on what really matters at a regional level so that they might agree to do some things together and also so that they might pursue their individual actions in the context of the overall regional economic agenda.

It's in this way that we hope to marshal sufficient resources in order to make a difference, so we talk about horizontal alignment across the business, philanthropic, government, university, and civic sectors, and we also talk about vertical alignment from the local, regional, state, and federal levels.

So, for example, the federal government currently spends over $7 billion a year in Northeast Ohio. Better alignment of that $7 billion dramatically improves the return on the investment at no additional cost to taxpayers. So we have a plan for the 16 county region of Northeast Ohio, which is $170 billion economic unit that includes Cleveland, Akron, Youngstown, and Canton. The region-wide plan addresses several interconnected strategies that range from innovation and entrepreneurship to effective governance and land use. You can learn more about that in our prospectus.

At the foundation of our efforts is manufacturing. It has been the lifeblood of our economy. Manufacturing directly or indirectly touches the lives of almost all of our citizens. We can't, nor do we have the desire, to run away from it because positive changes in the manufacturing sector will have significant positive impact on the overall economy, and while it is hard to get excited about things like basic injection molding or foundries or metal bending, and there's probably not a lot we can do in some of those areas anyway, it is easy to get excited about emerging markets like organic electronics, energy storage, or implantable medical devices. Of course the question becomes, how do we do that?

One of the critical pieces of this puzzle is PRISM, which we have been developing with Brookings. PRISM, which is the Partnership for Regional

Innovation Services to Manufacturers, will help transition older manufacturing firms to new higher-growth markets, much like GrafTech we talked about earlier. Under the leadership of Magnet, who is our manufacturing extension partnership, we are pulling together a suite of services that manufacturers need in order to identify new markets, create products and processes, develop business models, and then fund those opportunities, but it takes a village to raise an economy and it takes a village to raise a company, so Magnet is not doing this work alone. Instead it draws upon the skills and assets of players from throughout Northeast Ohio and brings them to bear on our most promising midsized companies.

Indeed, it is this sort of network model that has been at the core of all of our regional efforts.

Like most of our work to date, the PRISM effort will start small and grow in impact over time. Within 5 years we expect it to generate some 1,600 jobs and that is expected to double again by year 8. We expect to see revenues in 5 years of $165 million, but by year 8 of about a half a billion dollars.

So, if this is the picture of our heritage, what is our present? Well, it's Kent Displays, selling consumer electronics into Asia; it's Norman Noble in Richmond Heights, who is the leading global manufacturer of cardiac stints; it's Alpha Micron in Portage County, who can change the color of your walls with the touch of a button; and it's the Timken Corporation, who's making the next generation of bearings for wind turbines.

So, what's the future? It's hard to say, but we're looking forward to finding out. Thank you. (Applause)

MR. MURO: So, now we're going to move a few hundred miles west to the Minneapolis-St. Paul region. There it's been a privilege to aid and abet a really dynamic exploration aimed at spurring entrepreneurship in a region that has depended in the past on large-firm prosperity, and that has been energetically anchored by two really great members -- mayors: Mayor R.T. Rybak of Minneapolis and Mayor Chris Coleman of St. Paul. Mayors?

MR. RYBAK: Thank you. It's wonderful to be here. Mayor Coleman and I want to take the next couple minutes to show how you can create a regional model for economic job growth out of an area where two cities historically fought like the stars of *Jersey Shore*, and we can do that, I think, because we have a tremendous coalition here. If we can give a wave of hands from some of our Minnesota partners, we have a great team here, but they represent everything from the Regional Council of Mayors, the University of Minnesota, to the High Tech Association, to the State of Minnesota's Economic Development Entity, to our new Regional Economic Development Entity, and we have a cast of thousands who are creating a great region, and that is really what it has taken.

Now, our two cities have a pretty clear and simple history that's all based on the Mississippi River. St. Paul is the highest point of navigation on the Mississippi River. It became a transportation hub, first on the river, and then the center of James J. Hill's railroad empire. Minneapolis, the only natural waterfall on the Mississippi River, used that power to become the milling capitol of the world. These two economic powerhouses grew up together and we created a disproportionately strong region that had a great quality of life. We have a very highly educated workforce, exceptionally highly educated. In fact, we have a very robust R&D environment, leaders in, especially, medical device but many other tech areas. And we have a very high quality of life that constantly gets us rated in the top of virtually every metric in the country: livability, great place for women to do business, great place for small businesses, Prince, Mary Tyler Moore, Joe Mauer, Garrison Keillor, it's a great place to live. But we have certainly had some challenges and we looked at and recognized out of our smugness that we had a lot of work to do.

First we saw that our wage growth that had always outpaced the nation was now beginning to lag, we had a persistent achievement gap, one of the largest achievement gaps of any community in the country at a period of time when we were rapidly diversifying and at a time when our incredibly robust immigration should make us a global powerhouse, we needed to make sure that we closed that achievement gap. We were no longer attracting talent as quickly as we had before, and probably the single biggest issue is that as a place that has been fostered by homegrown industries, our innovation was lagging. So, what we needed to do was to put together a team and a coalition, that group that mentioned together represents the large part of what we do.

We've been driven, however, especially, by a very strong coming together of the business community led by a group called the Itasca Group, which has Mayor Coleman and I, but also the CEOs of most of our large companies, at the table with our educational institutions, and together what we did was launch our regional economic entity that was given an enormous help by Brookings. I cannot overestimate how important this work has been. This has been remarkably helpful work as we've gotten our work together.

So, we focused on a couple of clear, clean outcomes of what we wanted to do in that regional plan. The first was to develop this new regional partnership, I mentioned. We've now created a regional economic entity. To get Minneapolis and St. Paul working together is a remarkable achievement. We're going next to the Mideast and I think we'll have some great opportunity there, but we've created in that a regional economic entity that had cities stepping up, both big and small, as well as every business in the region working together.

We worked with the regional mayors on looking at the issue of what would be -- what are our key supply chains? And then we worked together having our large businesses focus on our small businesses. One of the parts of this that I'm most excited about is that our large businesses, led by General Mills and Carlson Companies, are starting an initiative to lift up entrepreneurship businesses by using their supply chains, by intentionally buying local. We talk about that locally. We want all of you to buy from Minnesota, but we are going to buy within it.

Mayor Coleman and I, a few years ago, launched the "Think Green Initiative" which was really about identifying clean energy options and tying together both that new sector and labor to make sure that we had the right people trained for the new jobs in the new economy.

We looked at corridors of opportunity, which is really a nice way of saying that we're talking about the fact that business needs to be incubated by creating the proper land use and transportation patterns together, so the light rail line between Minneapolis-St. Paul and the university will be a center of the innovation economy. A line you don't see up here has to do with exports, which since we launched this effort, has now become a huge part of our work. We were really blessed that the Commerce Secretary, Secretary Locke, just before he moved to China, started his initiative going around the country in Minneapolis-St. Paul, as we really move forward with these issues on exports. And the final point I want Mayor Coleman to talk to you about which is the Entrepreneurship Accelerator. (Applause)

MR. COLEMAN: We mayors don't do PowerPoints well, so -- you know, we're very proud of our effort but we don't have anything nearly as catchy as "Ohio: Why your leg doesn't burn," so we're going to try to come up with something, you know, equally catchy.

It can't be overstated how important the relationship between Minneapolis and St. Paul, and the change in the dynamic has been, to really help spur this regional economic development thinking. You know, in St. Paul, if you really wanted to get away from home, you moved 10 miles to the west to Minneapolis. That was like running away from home was to move to Minneapolis, and then you never saw your parents again after that, so this is a long historic battle that really started to come together when in 2005 after I was elected to mayor and Mayor Rybak had been in office for four years, he called up and he says, you want to have lunch? And it was really that simple, and the two of us had lunch together and it really changed the dynamic of how our regions are working together.

Look, we know what it takes to get entrepreneurs off the ground. This is not -- it's not -- you know, in some ways it's rocket science, and in some ways it's not, but there is a path that entrepreneurs follow from their innovation, their idea, to ultimately being able to commercialize that product. We like to brag about the story of Earl Bakken, who started Medtronic in the garage because his wife wouldn't let him in the house, but that's -- but, you know, you have to be able to transform that idea into actually taking it to market. So, you've got to find some resources behind your friends and your neighbors and your relatives to get through the valley of death where great ideas go to die because of a lack of resources.

We, as a region, have historically been this innovative, entrepreneurial economy, but that has really dramatically declined over the years and so we're working very, very hard to figure out how we can stimulate it. The idea behind the plan, first of all, is there are a lot of folks that have come together to help support it. We have $500,000 in funding from partners such as EDA, Surdna, and Knight. Jumpstart is providing the technical assistance as we develop the plan. It's really going to be a detailed plan about the entrepreneurial ecosystem that we have in our community and figuring out what are all the private and public sector leaders that have to come together for us to help create good decisions around this economic development plan.

We have to have a funding pool. The familiar story for a lot of our regions, not just Minneapolis-St. Paul, is an entrepreneur gets an idea, they go out, they try to find some resources for it, they find them and they tend to be on the East Coast or the West Coast, and they say, if you want our funding, you've got to come and move your company out here. We've got to stop that brain drain coming out of the Midwest and Minneapolis and St. Paul, in particular, and have our region be an area where investors from across the globe can put some resources and that they are confident that those companies that are starting out will have the technical resources and assistance that they need to be able to thrive, the mentors, all of those things.

Where we're at today is we have convened a very high-level representative stakeholder group that has really shepherded the development of the entrepreneurial accelerator plan. We've completed over 40 interviews, 6 focus groups, 4 large community gatherings, we've connected with over 350 people in our region, we've identified 140 different organizations that in some way, shape, or form, are helping entrepreneurs try to bring their product to market.

We're hoping that by May we will hit the ground running with a fully developed plan and then really begin to implement that plan as we move forward.

The goal is that ultimately in 10 years we will have raised $70 million in capital, we'll have invested in more than 50 opportunities, helped raise more than $300 million worth of follow on capital, created 2,300 new jobs, and generated ultimately more than $200 million in new revenue. We try to talk about this and return on investment, we're trying to really get a sense of what that return on investment is going to be. We anticipate that it could be as high as 20-to-1. That would allow us to take that initial $20 million worth of investment and turn it into $400 million in follow on capital and revenue and ultimately really help us control our destiny with respect to the economic challenges.

This is a long-term plan. You don't take an idea and move it to market in a six-month period or a nine-month period. We know that to really be working with our entrepreneurs, we have to be there for the long-term, we have to be there with them, helping them all the way through the various stages to ultimately to market. But if we do this we'll transcend, we believe, market cycles and economic cycles, and really provide the kind of entrepreneurial spirit that we have historically been known for but have unfortunately been lacking over the years.

So, we're very excited about the plan. All we need is a catchy phrase and then we'll be ready to go. (Applause)

MR. MURO: And as we continue to accelerate further, we're going to fly to the Northwest now where a particularly intense skunkworks of private sector and public sector stakeholders in the Puget Sound region has been designing an initiative to turn the local energy efficiency cluster into a source of export advantage. A little different trip there than usual discussions about energy efficiency.

Eric Schinfeld, the program director -- program manager for economic development for the Puget Sound Regional Council is going to review the high points. Eric?

MR. SCHINFELD: Well, good morning, everybody. My name is Eric Schinfeld. I am the program manager for economic development at the Puget Sound Regional Council, and we are the regional economic development-planning agency for the central Puget Sound region.

I am really excited to be here today to talk to you about a really innovative idea that the Metropolitan Business Planning Process has helped us identify. I want to tell you about this idea. There's an old story about a Hollywood Producer who would only listen to a good pitch if it could be written on the back of a business card. So, here we go: Make the greater Seattle region the international hub for energy efficiency IT by creating the underwriters laboratory for demonstrating and validating these technologies.

So, if you like that, I'm going to read you the whole script now.

Central Puget Sound, we are a global economic hub. We are one of the nation's centers of innovation. We rank high on all of the rankings of innovation capacity. We have a large base of technology companies that helps us attract and retain a highly educated, productive workforce and actually most of the people -- about half of the people that move to our region from the rest of the world come with college degrees already, and so we're very proud of our success, but we know that in today's competitive global economy resting on your laurels is tantamount to taking a step backwards, and so we know we need to be strategic in our thinking, intentional in our actions, figure out how we can maximize our resources towards economic development and job creation into the future, and specifically what that means to us is while we're nurturing the industries that we have, also be thinking about the next industries, where the job creation of the future is going to come from.

And that's why about six years ago we formed the Prosperity Partnership. Prosperity Partnership is a coalition of about 350 business, government, nonprofit, labor and education organizations, all working together in the four county central Puget Sound, to create and implement a shared regional economic strategy, and that regional economic strategy is focused on industry clusters, on those industries that are driving job creation in our region, and we do a lot of policy work and programmatic work to make sure that those industries are being successful, are being supported. Really it's about intentionality, being thoughtful about our successes of the past, our assets, building on those towards economic competitiveness. And of course that's why we were so excited to participate in the Metropolitan Business Plan process.

For us the Metropolitan Business Plan process helps us take what we know about regional economic development and put it into a comprehensive, holistic framework that tells us not only what are our assets and what are our capabilities, but how they fit together to really identify those catalyzing opportunities for our economy, and it's really, in a world of scarce resources, this is about identifying those bottom line initiatives that have the best chance of success to grow our economy.

Here are the things that we learned -- here are some of the things and, you know, we're a very successful economy. There are a lot of things that we need to be able to do to be successful into the future. Technology commercialization, do a better job of moving ideas out of the lab, into the marketplace. More educated workers -- and I mentioned earlier, we have a great educated workforce, we have a wonderful workforce, they mostly come from the rest of the world. Washington State is 36th out of 50 states in producing the degrees that we need for our economy, and we're actually 48th out of 50 states in overall college participation, and so there's a lot we need to do there. And then of course I mentioned industry clusters, we need to be nurturing the great industries that we have -- IT, aerospace, life sciences -- but we also need to be thinking about what's next -- interactive media, global health, and of course, clean tech.

Now, if I did a little survey here and asked those of you from regions around the world, around the country, how many of you think clean tech is going to be your major economic opportunity, right, a lot of you would be raising your hands. So, what is our unique niche? How do we as the Central Puget Sound do something in a competitive economy where we're competing against the rest of the country and the rest of the world to be a leader in clean tech? What's our differentiated opportunity? And that's what the Metropolitan Business Plan helped us identify.

It turns out the answer is the energy efficiency of buildings. Now, this is a great market to get into, right, if you're going to pick anything in clean tech, this is a near term opportunity, we're talking about $300-700 billion in this country alone, hundreds of billions of dollars around the world, $59 billion in the

EU, $58 billion in China. This is a great opportunity, but it's also a great opportunity for our region. We have a long history, decades of activity, in energy efficiency already, in policy, in investment, in adoption of the new technologies, but this is not just about us becoming more energy efficient. This is about being able to develop those products and services that we can sell to make the rest of the world more energy efficient. That's where the job creation comes from, and what we know about our region's economy and the businesses in that space -- we have great architecture firms like Mithun, we have great energy services, companies like McKinstry, but what do you think of when you think of our region? You think of IT. And it turns out that we have great large companies like Microsoft, and a hot of startups in the energy efficiency IT space, what we call smart + efficient, the software and automation technology that helps buildings become more efficient, and we think that that is our opportunity.

Now, what are we going to do about this? There's a lot of things we would need to do of course. We would need to think about our workforce. We would need to think about policy. We would need to think about attracting more investments. But one of the things we would really need to think about is the innovation ecosystem, the commercialization process for these energy efficiency IT products, and the reason why, it's always hard to commercialize new technologies. But it's specifically hard to commercialize new energy efficiency IT and that's because no one wants to buy a new energy efficiency technology unless they know that it works, and that's specifically true for energy efficiency because energy efficiency is sold on the fact that you're going to lower your energy costs, this product is going to pay for itself. But if it turns out that I'm buying something I think is going to be a 5-year return on investment and it's 10 or 20 or never, it's a real disincentive that lack of information.

Now, the Catch-22 is saying, we don't know if these energy efficiency technologies work unless we actually install them in a building in the first place because it's different in the laboratory. Buildings actually operate differently. It depends on the weather. It depends on how people operate in those buildings. It depends on how this new technology interacts with the other aspects of the building. And so, what if? What if there were an entity that could facilitate the installation of these new technologies into a building and then serve as the third party validation for those technologies? Well, those companies that have that validation would have a huge leg up into the marketplace. Customers would want to buy those technologies, but also the region that did that would become the international hub of energy efficiency IT and that's what we want to do. The entity that we're going to use is called BEETI, the Building Energy Efficiency Testing Integration Program. The great thing about BEETI, by the way, is not only would it do this, but it will be a self-sustaining entity. It would be a fee-for-service model. Companies would pay to have access for this validation service, and it's worthwhile for them because they'd be able to then go out and sell their products into the marketplace. It's great for us because this is not going to rely on grants and donations. This is a going concern, but a going concern that is driven by the public sector, addresses a market failure, and allows private sector companies to be more successful.

Now, if this works, this is a major opportunity. We're talking in the energy efficiency software and automation technology space alone, about a $14 billion global industry. If we can capture 1 percent of that marketplace, that is $140 million a year for our region, we think at least 1,000 new jobs by the year 2020, and that's actually a relatively reasonable assumption. HSBC says that the United States, overall, is going to capture an additional 1 percent of the energy efficiency marketplace by 2020. We're saying our region wants to capture just 1 percent of that energy efficiency IT space.

So, we think it's a real opportunity. We think what's going to happen is not only will companies be successful because we're helping them validate their technologies, they'll go out, they'll sell more products, they'll hire more people in our region, but by creating that center of gravity, by building that brand as our region as the launching pad for energy efficiency IT technologies, new businesses will move to our region, new investment will follow, and that's where the real bang for our buck comes.

Now, here's what I've just done: I've just shared with you the secret for a commercializing new energy efficiency technology. Now, you would think I would be really worried about that, right? And I'm not, and it's not because I think you're all very nice people, which I'm sure you are, but it's actually because this is not only the right idea at the right time, we're the right region to do it. This capitalizes on our very unique mix of assets: our strength in IT, our focus on energy efficiency. We're actually positioned as really one of the only regions in the world that can really take advantage of this near-term opportunity, and at the end of the day, that's what's so brilliant about the metropolitan business planning process. It doesn't just tell you what you're good at and what you have, it tells you your unique opportunity.

I think we know that in the private sector a product is successful when it is differentiated in the marketplace, and what we've learned through this process is that a regional economy is most successful when its differentiated in the marketplace, when you know the Central Puget Sound region is known for aerospace, it's known for coffee, it's known for IT, and now it's going to be known for energy efficiency IT and you're going to want to come to our region and buy technologies from our region because of that. A lot of details behind this plan, how it works, I don't have time to tell you now. Feel free to ask me questions later. And thank you very much. (Applause)

MR. MURO: Okay. Now that we've heard some of the particulars we do have some time for a short discussion. I'm going to invite all the business plan leaders up, and then we're going to open this out as rapidly as we can for some questions.

Okay. Here we go. You know, Brad, your region's been straining, you know, for a long time to work on these issues like what you suggested, to reposition among more deindustrialization.

I'm curious to hone in a little more on what is new about this particular thrust of the business plan approach. I'm struck by, myself, both the breadth of the research and the way you've connected to previous research, but I'm also struck by the specificity of this particular PRISM initiative, right down to very specific operational details, ROI and so on. Can you give us a sense of how you feel this, you know, situates with past efforts?

MR. WHITEHEAD: Yeah, sure.

MR. MURO: And what's distinctive?

MR. WHITEHEAD: Yeah, and for most of the national economy, the great recession started, what, in 2008? For us it started in about 1952. And so this really is a response that is trying to go beyond economic cycles and about getting a transformation.

What we had traditionally done in the past, though, was we would pursue projects in cities, and what is distinct about this, I would say that it's regional, it's integrated, it's collaborative, and it's for the long haul. Regional is connecting Youngstown and Akron and Cleveland is -- what was it, Bruce, you said, an unnatural act among sometimes consenting adults? And so to work regionally really means a great deal. It means we can take a Rolls-Royce facility in fuel cells, hook it with the Case Western Reserve University with polymer technology in Akron, and then with some materials and metal strength in Youngstown.

Second, is it's integrated in the idea that it's not just workforce or so forth, and so Bob's exhibit on silos is really huge.

And then third, this idea that we're working collaboratively is a huge piece of this because we really are aiming for transformational change, and to think that any institution could move $170 billion economy is not realistic, so the fact that we actually have groups working together is quite distinctive.

MR. MURO: Picking up on that, Mayors Rybak and Coleman, you know, it's unusual that the two of you are here yourself, that sort of underscores, you know, two big city mayors who might otherwise be competing with each other.

MR. COLEMAN: We don't really like each other that much.

SPEAKER: We can tell that.

MR. RYBAK: We won't let each other out of our sights.

MR. MURO: So, how did this particular process, this particular opportunity, you know, this connection of broad thematic situating and quite narrow design, you know, it seems like that seems to have worked to bring a lot of people together in a different way, but --

MR. RYBAK: We got a lot of wind in our sails through the business community which, I think, in Minneapolis-St. Paul has always done well, but I think has gotten smug and a little fat and sassy, and so what they began to recognize -- see these dangerous signs and we all came together, so there was a long, long initiative in doing that. But I think, you know, one of the things too is we have begun to recognize who we're competing with. I mentioned that recently we've become dramatically more focused on this issue of exports because, you know, 1 percent of the GNP is export in this country. I mean, it's some absurd amount. And we see this huge opportunity. But, you know, an export used to be from St. Paul to Minneapolis. That's ridiculous, and so what we really need to do was to figure out how do we, together, move those supply chains together? So, I think it's pretty simple necessity of working together, plus which it's actually one idea is built on the other and so I think we've created an infrastructure of participation.

MR. COLEMAN: You know, the Twin Cities just have incredible regional assets, you know, not just the business community and the entrepreneurial history of it, but it has an amazing, you know, richness and art and universities. St. Paul, outside of Boston and Atlanta has the most universities per capita of any place. We have this highly educated workforce as has been mentioned, but this competitive nature where we were fighting with each other as opposed to kind of focusing and selling the assets of the region just wasn't working. And so there were a couple things that, as R.T. mentioned, the business community leading it really helped, the political leaders whose job was to kind of have this parochial view in a very narrowly defined area of interest to kind of transcend that. So, when the Knight Foundation came to us with -- you know, asking us if we would be interested in this entrepreneurial accelerator and working with Jumpstart, you know, in St. Paul, because we were a Knight community, we said, wait a second, if we're going to talk about regionalism, then let's take that kind of leap and go from there.

So, I think it's been tremendously helpful. Our business community has just embraced it and been thrilled to death with it. Ken Powell from General Mills, when I talked about regionalism in my inaugural address last year, was just -- he couldn't believe that finally the political leadership in the community was actually starting to talk about that. That was because Mayor Rybak helped kicked that off, the business community really demanded, and it wouldn't accept anything else other than that.

MR. MURO: Very good. Eric, tell us a little bit about the role of analytics here. I mean, it seems like, you know, lots of places have, you know, plausible sounding strategies. You know, you seem relatively certain that you have discovered something that others cannot equal. So, I'm interested in how you arrived there and my suspicion is it has a lot to do with some pretty deep research.

MR. SCHINFELD: Yeah, well, thanks, Mark. And, you know, I think that we have always relied on data to really show the way. The Prosperity Partnership, the coalition that I work for, is really founded based on this principle of let's actually know what we're talking about, let's actually understand who we are -- you know, it's a novel concept in government as we work, but, honestly, this is really about -- my boss Bob Drule likes to say at the end of the day the Prosperity Partnership is an economic literacy campaign. It's really understanding who we are as an economy and then making action based on those ideas, and so this Metropolitan Business Plan framework really helps us -- you know, none of these are new things, right? Commercialization of new technology, infrastructure, of course, right? But how do these things work together? How do we understand them? What's the framework that really puts them in a grid that helps us say, oh, if X = Y + B, then we can actually do something about that.

And so it's really been just a great way to think about the things we know in a framework that helps us make some decisions based on those.

SPEAKER: Could I --

MR. MURO: One comment and then we'll open it up.

SPEAKER: Yeah, one quick thing because it's so interesting listening to the really sharply focused plan that you guys have, which is great, and putting it up against ours which intentionally does not do that, and I think that's how regions are different. Our region is very, very economically diverse and that's been the breadth of it, so we've focused on infrastructure, the physical one, transportation, the financial one, innovation capital that we're really about trying to move the whole economy forward. We think that's our play.

MR. SCHIFELD: And I think obviously, you know, what we've tried to do with our Metropolitan Business Plan, you know, there are strategies for every lever -- and Bob talked about the five leverage points. To be able to -- you know, I'm a policy guy. What I like to do all day is write white papers and assume that they're going to work and put them out into the world and have somebody else deal with them, but what's great about this Metropolitan Business Plan framework is you actually have to say, okay, how is this going to work? Who's going to pay for this? What's the staffing plan? What's the facilities plan? And to really have to do that deep dive on figuring these things out. And of course the energy efficiency play is one of the cluster plays that we would do, it's one of the many plays within infrastructure and workforce and everything else, but it's really valuable to do that deep dive on each one of those.

MR. MURO: That's a great segue to the audience. I just -- I did want to underscore, you know, these are not performance art. This is actual, you know, development of plans for execution. But let's hear a few questions, we have a few moments.

MR. MCGAHEY: Hi, Rick McGahey with the Milano Public Policy School. I want to go back to this question of cooperation in a region because Bob pointed out this government fracturing thing which every region in the country has. It's great to see leadership from two mayors, but at the same time electoral cycles come and go and other problems sometimes get on your plate.

So, how do you build a civic institutional culture that's going to be able to sustain itself? I think all of you have done that in different ways so I'd like to hear from the panel about how that's sustainable and what are the real barriers you run into?

MR. COLEMAN: I think that, first of all, I would say just -- and this is, you know, obviously a unique situation, but I think one of the reasons Mayor Rybak and I have been able to cooperate as deeply as we have is because both of us were born and raised in our respective communities and so no one can question our bona fides, no one can question our loyalty so that when we say we want to work regionally, that, I think, is an important factor to be able to do that.

I think it's kind of transcending electoral cycles or whatever. I think the key is going to be having some real victories here on both sides of the equation, that if there is a perception that the first couple of companies or the first kind of things that come to commercialization happen on one side of the river or the other, I think you could see this really deteriorate very quickly, so the regional economic development partnership has to have victories spread throughout the metropolitan area that it's working in. This entrepreneurial accelerator, the dollars are going to have to flow to both sides. The minute it looks like it's unbalanced, the minute it looks like it favors kind of -- it's a challenge for us because Minneapolis is the default position in our region and so if we balance it out I think that we will very easily be able to transcend any kind of electoral cycle.

MR. RYBAK: I really think this is baked into the political DNA of our region. I'm really confident that when Chris and I move off the stage other people will be here. You know, funny nuance, Chris and I ran against each other for governor and Margaret Anderson Kelliher, who leads the High Tech Association -- all three of us lost the governor's race and came together to -- so, I think that transcends politics. (Laughter)

MR. COLEMAN: It's like C students rule.

MR. WHITEHEAD: I would say that in Northeast Ohio, part of the way we've tackled that is that the initiative is a private sector led, and by private I mean a business, philanthropic and elsewhere, and that we seek great participation from elected officials and so forth, but by having it led out of the private sector, it means that we can transcend the electoral issues. So, we had a state investment program that was begun under Republicans, continued under Democrats and is now led by Republicans again, and it also helps us manage -- and I would be curious to hear what's happening in St. Paul-Minneapolis -- the power dynamic between core city mayors, suburban mayors, and exurban mayors, and we kind of remove that from the equation by inviting them all to the table under a different kind of leadership.

MR. SCHINFELD: I want to pick on something that the mayor said. We've really learned that collaboration, regional collaboration, takes positive reinforcements and often -- you know, our Prosperity Partnership really came together when we almost lost the assembly of the next Boeing plane, the 787, and everyone came together, we kept that plane and we said, wow, that sort of worked. That was cool. We should do that more often. And it takes, you know, every year or so we need to have a 'wow, that was cool, we should do that more often' to really keep people working together.

MR. MURO: Good. Maybe Dick?

MR. FLEMING: Dick Fleming from St. Louis. A question to Brad. Several of us had an opportunity to join your kickoff a few years ago with NEO and the coalition and what was striking there was the unique role that your foundations were playing, and -- as kind of the honest brokers. Just curious how that has evolved and how that framework has gone forward in the plan that you've articulated here this morning.

MR. WHITEHEAD: Yeah, well, the coalition that I'm a part of, the Fund for Our Economic Future, is that group of philanthropy, so it's 60 foundations of various stripes in Northeast Ohio who have pooled their resources to push this ahead, and we're in it for the long haul and so we continue to be there and we talk about being the ugly, dirty, flexible money that can hopefully get a lot of this stuff started.

What we're spending a lot of time thinking about, though, now, is how do we get more of the ownership of this effort embedded throughout the rest of the community because of the fact that we were able to get ourselves organized regionally early, that naturally put us at the center of things and we believe that philanthropy's role in the long-term isn't to be at the center, per se, and so now we're -- we'll continue, but we want to get more of a distributed leadership.

MR. MURO: Let's go farther back. Way, way in the back. Yeah?

MR. BERNSTEIN: Scott Bernstein, Center for Neighborhood Technology. These are all great plans. Congratulations.

Bob in his intro mentioned spatial efficiency as a method of getting to success. In all of your regions we can see gas prices going up faster than income and some other costs too, and you all have some other plans that you have for increasing spatial efficiency. Is there going to be some integration here of your public investments to get behind and, I guess, ensure the success of the efforts that come out of these plans?

MR. RYBAK: In our plans you saw something called corridors of opportunity, which is really the idea of saying that we really want to focus growth along transit corridors. And by the way, we were just talking earlier about this, about the seismic shift there has been with the new Administration, which has been hugely helpful in partnering -- getting all these different agencies to work together. That's become really exciting.

We have a light rail line that's going from St. Paul through the University of Minnesota to Minneapolis and in doing so what we're going to be able to do is to really dramatically focus growth on that, so it allows us to be really pro growth, small nuance that's important. I just got back from Sweden and was looking at how great European cities are that are transit oriented and very dense, but the American city has a different opportunity with this. Because our immigration is focused in cities and as cities now become more valuable as people move back into cities, we have a natural integration taking place. So, along our line, we have the largest Somali population outside of Mogadishu, the largest Hmong population outside Southeast Asia, mixing with people from all different economic areas through the University of Minnesota and it creates this hothouse, this incubator of innovation, that creates tremendous opportunity, and you can really do that if you intentionally put people closer together where innovation occurs.

MR. SCHINFELD: You know, I think it's no coincidence that these three regions are some of the largest winners of the Sustainable Communities Grants from HUD, DOT, and EPA, and, of course, that's because we've done some great things in the past but also we're really thinking forward into the future about how we can bring these things together.

We, as the Puget Sound Regional Council, happen to be the entity that is both leading the metropolitan business planning process and the lead grantee for sustainable communities. And we've had the opportunity to have some really fantastic initial conversations about how those work together, how we can leverage these activities to really get the biggest bang for our buck across all of these activities.

MR. MURO: Great. Maybe way in the back.

SPEAKER: It seems that a major strength of metropolitan business planning is it provides a framework for aligning federal and state resources, so I am interested in your experience in aligning those resources and leveraging them and, you know, from the Department of Commerce or SBA or Department of Energy? And how -- what are some of the lessons in your experience?

MR. MURO: You want to take that, Brad?

MR. WHITEHEAD: Yeah. At its core, at least the way I view a lot of this, it is about a strategic capital allocation with the capital spread among all these different units, and so this is the fundamental question is how do we allocate the capital. What I will say is we've had a very good relationship with the State of Ohio and in fact our strategy calls for us to be aligned with the State of Ohio's strategy, and that's worked well.

As difficult as it is on the ground in Cleveland and Northeast Ohio, I think it's especially challenging in Washington as well, and so thanks to introductions by Brookings, we have been in conversations and in discussions with the White House and the Administration around a lot of these things. I think we'll hear about it today. And I think what we're learning is that there is a great intention of the federal government to do this as well but it's equally difficult to make it happen on the ground, and so we're trying to identify specific areas where we can make this work. So, manufacturing is our big thing. I don't know, there was something like 15 or 16, maybe 20 different programs that we saw spread across the government. We'd like to get those resources harnessed around the plan. Again, that's one thing to say, it's another thing to do, but it's been a terrific -- the process has been terrific to understand how we can begin to do that.

MR. MURO: Maybe, Eric, do you want to comment a little on the role --

MR. SCHINFELD: Yeah, and I don't want to steal the thunder too much because the second panel is actually folks from our region and our state and the feds talking about this. I will say that regions cannot be an island unto themselves. When we do this Metropolitan Business Planning process, it is not to say that no one else is going to help us and we're going to help ourselves. It's specifically so that we know what we're focused on and to identify how their assets, not only at the state government and at the federal government, but also across the state as well. What's happening in Spokane, what's happening in Tri-Cities, that feeds into this, that we can leverage each other and really get that maximum return? So, we've had really great, so far, conversations. The state is very aligned with this. We're really excited to see the i6 Green Grant come out which we think is really very much focused on the commercialization and demonstration of new clean energy technology, so we'll definitely be looking at that as well.

MR. MURO: Great. One more question. Maybe over on the left.

MR. FEEHAN: Dave Feehan from Washington, D.C. This all sounds great and being a native of Minneapolis, I have watched the Twin Cities compete over the years and each of you have planning and economic development departments, so in the -- when the rubber meets the road and a company is looking around, does your new entity -- is it location-neutral? Do the central cities get any kind of preference? How do you decide where somebody goes?

MR. COLEMAN: There's a lot of work being done right now on the rules of engagement so that we're very clear about how we compete against each other. We know we will continue to do that and we're not saying that we shouldn't, but there's going to be unique reasons for a company to locate in St. Paul, there's going to be unique reasons for a companies to work in Minneapolis, and there are going to be unique reasons for companies that want a large tract of land with surface parking lot because that's kind of their business model. And so, it is okay that we will compete with each other, as long as we do it fairly, and I think that that's where these rules of engagement are going to be so critical. And we've seen it in other regions. It's not -- there are a lot of regional entities, some of them work better than others, but I think that we're being very, I think, thoughtful. Cathy Shmittlekoff is here, Cecile Badore from our Planning and Economic Development, others that are having this very conversation now. Are we close?

SPEAKER: Absolutely.

MR. COLEMAN: We're very close to having our rules of engagement in place.

MR. MURO: Great. All right. Well, I think with that, you know, we need to move to the next discussion, but first, please join me in congratulating these very smart and (inaudible). (Applause)

MR. KATZ: If folks could settle down. This is the hard transition. If folks could settle down. Also, there are some seats open towards the front, if people from the back want to come on up, or if people from the overflow room want to come back in.

So this panel has the classic sort of Brookings like title, "Reorienting Federalism for Implementation in Seattle," right, so this is your usual kind of graduate seminar at Brookings. So I mean, bottom line, this is the panel to sort of tell us did the pitch work, right, and are we going to be able to reorient and reform government and the private sector.

And I would just start by saying we have a great panel. Derek Douglas from the White House, Domestic Policy Council, who's really been spearheading so much of the integrated action across so many of the federal agencies; Daniel Malarkey from Washington State Department of Commerce; Mayor Ray Stephanson from the City of Everett, but also the Puget Sound Regional Council; and Kim Nelson from the Microsoft, hence the focus on Seattle.

But, Derek, why don't, you know, start with you, because, you know, we all took civics in what, fourth or fifth grade, you know, and we got the picture of the hierarchy of our federal republic, and it's almost like everything sort of rains down from the national government and the state governments to these cities and metros, hungry, right, for investment.

This is a different kind of model, right, I mean this is cities and metros beginning to become intentional, inpurposeful and deliberate about the trajectory of their economies, and then perhaps coming back to the national government and saying the integration that you all have started needs to be accelerated or needs to be reformed; how do you think about what you've heard today?

MR. DOUGLAS: Well, first of all, let me thank you, Bruce, and Amy, and Mark, and Bob and the whole team that have been working on this Metro Business Plan Initiative. It's been very exciting and rewarding for me, and I can speak for my federal colleagues, a number of which are here: I see John Fernandez, I know Ginger was here, others are there. But it's been very rewarding for us to work with you all on this new initiative to see how the federal government can be a better partner.

To the question of having regions like the ones we heard from today with such dynamic, such powerful and profound strategies for advancing their economy, come to us as the federal government and asking us to look at them as an investor. I could say that the timing for that type of question on the heels of a government shutdown, because overspending and over federal resources is a very challenging one, but I think that it actually speaks to the power of these ideas, because what I learned from the lessons of last week is that we have to be smarter, we have to be more innovative, we have to invest in the things that have the greatest chances for success, and the Metro Business Plan approach I think is an example of that, because what it does is, it allows regions to come to us in a way that's very responsive to the direction we're trying to go with economic development.

As you all know, we are very focused on regional collaboration, we're very focused on interdisciplinary approaches, breaking down silos, we're very focused on customized approaches based on the cluster, the assets, the strengths of those regions.

And what I think is particularly strong about these strategies is that they come to us with all that in place. And we sat with them, we asked them, who are you working with, what are your ideas, give us the details, and they had it all. And these particular strategies I would say were more, I think Bob Weissbourd used the term they're operational, not aspirational. They're actually concrete ways in which the federal government -- concrete ways in which the regions are trying to take their economy, and it helps us better understand ways we can plug in to support them.

Now, as you know, the federal government, it's going to take some time to move into this government as investor type of model, but there are things that we can do to better support communities.

A couple things that we've already started to do; one, in our FY '12 budget, under John Fernandez's program at EDA, there's a lot more money into Economic Adjustment Assistance Program, which is the more flexible program within the department, the agency, and of that, Commerce is looking at developing a regional business plan type of competitive program to try and provide support for more regions around the country to do this type of planning to kind of scale it up, but also to invest in regions that already have these strategies, to help them take the next step.

In addition, while most of our grants are competitive and we're looking for ways to be more nimble, and that will take some time, but we have legislation like America Competes and things like that which are creating the legislative framework to move in that direction. We are also looking at ways to provide what I would call ground game support for communities that come to us.

So as was referenced in the comments before, we've been working very closely over the last several months with each of these regions to better understand what is their strategy, what are the federal agencies that are most relevant, so that we can assign some points of contact in those agencies.

We have a global federal point of contact for each of the different regions who can help them navigate the federal bureaucracy, identify these sources, and just make the federal government a more nimble, effective partner with regions that are trying to go in this direction.

So, in short, what I would say is that this concept, which is actually more than a concept now when you look at the strategies and you heard from the people speaking today, is one that is very, very constant with where we're trying to go. I think that the direction the federal government is going around economic development, those regions that kind of get themselves together, collaborate in this way, develop the deep, concrete, operational types of approaches are going to be well served and well advantaged as they're competing for what are becoming much more scarce federal resources.

MR. KATZ: That's very helpful. So, Daniel, it takes whatever, five hours to fly back to Washington, 90 minutes to get to Olympia, they know where you live. You've heard the pitch from Greater Seattle, what's your response as a potential investor at the State Department of Commerce?

MR. MALARKEY: Yeah, we're excited about it. It turns out it's very aligned with some work that we were doing really in parallel. So our state has had a variety of energy policies, but about 12 months ago we started looking at, well, how does that connect to our economic development policy. When you look at the things we've done with like renewable portfolio standards or renewable fuel standards, they actually haven't been driving that much economic development within our states. We were importing, you know, bio fuels from other parts of the country. And so we looked at that, and then combined with the fiscal realities, and we said, hey, what's our approach towards clean tech? And we really settled on this notion of looking at what are the industries within the state of Washington, where we are on the bubble of having a globally competitive advantage, and did that very deliberately across our entire geography. And it just so happens that one of the three areas is exactly this area of green buildings, and particularly, how do you apply IT within green buildings, and also, how do they connect to the grid.

So we're -- and what we like about that is that you're not in a battle where you're trying to, you know, race to the bottom in terms of who can throw the biggest subsidy at some highly mobile company, but you're really building on, you know, state strengths, and you're -- but there's some compelling reason for the public sector to be involved.

We've, again, been -- Eric did a nice job of kind of highlighting some of the successful companies, and they were not all, you know, spurred on by, you know, public-private partnerships, some of them just happened because of some of our natural assets, you know, our great universities, our quality of life. But I think there is a particular opportunity here in this space where we say, because of the nature of the customer, which is both building owners and utilities who actually are kind of a key partner in that, that it really does make sense to try to aggregate that demand and really push those technologies forward.

So we're excited. I think in spite of a very challenging budget environment, we are -- they're still within our state budget. And it hasn't passed yet, but there is a small amount of money that's circled to really help, you know, spur this initiative that would be contingent on a match from both -- other public and private partners. So we're excited and feel like it's very well aligned with our state strategy.

MR. KATZ: That's great. Mr. Mayor, we heard a bit of this conversation with the Mayors of Minneapolis and St. Paul, because the norm in so many parts of our country is literally from municipalities to steal businesses from each other for our subsidy as opposed to come together around a regional economic development strategy. So how is this happening? Have you suspended sort of the political marketplace for some period of time?

MR. STEPHANSON: Well, I think that, first of all, for all of us in public corporations we'd call cities or counties, state government for that matter, this has really been a significant transition for us through this economic downturn. I will tell you that, in the past, we've gone through these cycles. They normally last 24, 48 months, building starts, the economy begins to get better, and we all take credit for it, but the fact of the matter is, it happened through a normal cycle.

We have gone to a focus of really dealing with less revenue, we have had to make really tough choices in our cities and in our counties and our state, and the fact of the matter is, we cannot save our way to prosperity.

Cities, counties, states will not prosper, will not exist, will not be successful if they're not a strong economic engine, and that is a fact of life that I think if we didn't believe it before, we absolutely know and believe it now. That's why this effort I think is so important to us.

The other thing I would say, well, the Mayor said it before, we will compete for our own cities, but the reality is, if my county is successful, if my region is successful, if my state is successful, my city will be successful. And I think that we've really had to change our thinking about this, Bruce, and others, and it's really been sort of a transformable effort for all of us to think differently. And the fact is, our business will rate us and grade us and determine our success or failure based on our performance, as well as our citizens. And I think to the question, does it transition political leadership of the time, and I think it absolutely will, because I think our public and our businesses today expect more of future leaders, and they will elect leaders who really understand that paradigm.

MR. KATZ: So what you're describing emerging, obviously, a work in progress, is a culture of collaboration across jurisdictional lines. And, Kim, you're here from Microsoft, it's hard to imagine we would have this business plan if Microsoft was not present in Greater Seattle. But how do you think about the culture of collaboration across the public and private sectors? Does this plan resonate with you?

MS. NELSON: Well, you know, I'd like to think the plan would be there, you know, regardless, because there are lots of other creative things going on across the country. But certainly, you know, when we look at a company like Microsoft, you know, great companies have great philanthropic efforts and they're involved in public-private partnerships, and certainly Microsoft is no example. I mean when you think of efforts like this one, it's probably one of the first that comes to mind.

On the other hand, let me address it from a slightly different perspective, because I think it's important. Everybody thinks of Microsoft, and you know our philosophic efforts, but I'll talk to you a little bit about what we're doing sort of from a business perspective.

There are hundreds of us from Microsoft that work solely with government entities, the federal level, state level, local level, and I'm one of them. I spent 18 years in government, and now with Microsoft. I spent time in state government and time in the federal government, and one of the things we try to do is really help bring the power of technology to solve big government problems, you know, not just software on your desktop or software in the cloud, as it is today, but the big government problems.

And what's appealing about a project like this one, Eric touched on it when he said, you know, data really is at the heart of many of these problems we're trying to solve, whether it's the corps, because they're trying to be innovative and develop new industries and businesses that are in the technology space, or whether it's simply just having good information. My background is in the environmental space, so, you know, a project like this is one that I particularly love. I spent 18 years in environmental agencies. But here is sort of I think a key example of why a company like Microsoft would be interested in a project like this.

About a year and a half ago, the UN came out with a report called the 2020 Report, Smart 2020 Report, and in there, it was actually developed by a lot of ICT companies, communications and technology companies, where we were looking at what's the impact we're having on the development of footprint and in energy consumption. And we probably had about a 2 percent impact in the environmental space.

Obviously, with all the burned data centers and everything, we have to reduce that. But what was really profound was, when you looked at the other sectors, the manufacturing sector or building management sector, just sort of standard business processes or energy grid, the application of information technology to those other sectors can actually help those other sectors reduce their environmental emissions, their carbon emissions and environmental footprint, but over 30 percent. So that's the power of a company like Microsoft working with a project like this one, where we bring information technology and information to the core of the problem to help address that problem.

MR. MALARKEY: One important issue, because -- one issue with one word in your opening remark, it says, you know, we're going to be a country that makes things, which I think is important to manufacturing, clearly is an important part of our economy, but, you know, service -- you can also export services. And so I think one of the things that I think is an important part of this, and particularly in this IT and this service model, is that we do feel like we can be selling services from within our region, both across the country and really across the globe.

And we have some, you know, leading engineering and architectural firms now who are doing that, who are basically selling green building services into China right now. And so I think it's important to hold that. And our federal data doesn't track that particularly well, but I think it's a key part of this export strategy.

MR. KATZ: No, and I think as we've done our export work, and you look at exports from the U.S., two-thirds goods, manufacturing, a third services, and services are going up like a rocket because of the rising nations and the fact that they're urbanizing and industrializing. Folks get ready for questions. This is like the one-minute warning.

I hear a couple of common themes here about what is different about this practice and what's different about this particular lead initiative in Seattle, evidence driven, we're not just making it up or being infected by an idea virus from some other metro either here or abroad, collaboration across jurisdictional lines, across the public and private line, geography.

We're not talking about cities here, we're talking either about metro areas, as in Greater Seattle or multi-metro areas in the case of Canton, Cleveland, Akron, Youngstown.

This is a radically different way of doing business, right. I mean, I -- and I think, Derek, for you, it is clear that there is a culture of integration in the executive branch of the federal government now, but you're also sitting on top of a government with decades of statutory restrictions and regulatory provisions that harden the different silos and the compartments. So this is sort of a radical shift, as folks who are coming from the bottom up, and someone in the federal government said, whatever you all do in the next couple of years, stress the fed, so this must be a little stressful. You know, you have to respond to this organic, integrated, holistic perspective coming from the bottom up. So this is more profound than agency to agency collaborate, this is going to take some statutory reform.

MR. DOUGLAS: Yeah, I mean it's going to be a challenge, but it's an exciting one. I mean, it's definitely not the standard way. The standard way is, you put out the grants, you do that, and then people see what money is out there, they come together, whatever the criteria, to compete.

But in some ways, you know, and this is still a new concept, and we, you know, I think it has been good for us in the federal government because it challenged us to figure out how can we respond to regions that, on their own, as Bob Weissbourd said in his opening, that take the lead in putting together a strategy and coming to us.

But what is nice about it is that one of the challenges when you do -- it's kind of the chasing the money approach, is that, one, it has the perverse incentive of having folks kind of chase the new thing when it may not necessarily be grounded in the strength, the asset, what's the best strategy for the region; two, when they come together and lead, there's a level of capacity that has been developed over the course of, you know, they've been working on this stuff for 18 months, and you have a variety of players.

The Mayor of St. Paul talked about talking to 350 different companies and all this sort of thing. So they're coming with a level of capacity and understanding and knowledge about what their strategy is that you don't normally see when you hold out a grant and you give people three months to apply for it.

I think what we're going to have to do is to, one, try and develop a more systematic approach to provide the kind of ground game, kind of direct relationship with the region. It shouldn't be -- the relationship with the federal government to cities and to regions should not just be at a distance with money and you apply, it needs to be direct, it needs to be talking to one another, communities of practice, that type of engagement to really help these economies grow. And I think that we're going to see more of that, while at the same time, looking for levers within our federal programs. There's a lot of us in the federal government who have been looking very hard and thinking about the way we do economic development, trying to find ways to streamline it, trying to build in components into our competitive grant that more catalyze this type of collaboration, but also reward places so that they take the initiative to come to us.

So it's not going to be easy, and we're obviously in a very challenging economic environment, but I will say that I think this is one of the issues where you can get bipartisan support.

America Competes was passed in the lame duck when we knew that there was going to be a Republican house, and you still got a lot of bipartisan support in America Competes. They created a new regional innovation program that Commerce will be leading which will help to catalyze this type of effort.

I think that Democrats, Republicans, everyone recognizes that the strength of our national economy is going to be very dependent on the strength of our regional economy, and so things that we can do to help support that, I think that we'll have some momentum to do those.

MR. STEPHANSON: One other customer and one other opportunity here that presented itself in parallel with this effort, which is I think has huge opportunity, Secretary Mavis of the Navy has an initiative to have a green plate, and that includes not only ships and planes, but also bases.

We offered, after a conversation that he and I had, to have Naval Station Everett be that test bed. We also advanced this idea with the Chief of

Naval Operations and Under Secretary Fanisteel who has been to the base and to the community. And we've advanced this discussion about how do we make military installations not only in the Navy, but across all the branches of service, across the country and across the world more energy efficient.

And the thing that has been so rewarding in this exercise is to see all these great ideas and great start-up companies participating in this process. And the effort that we have with BEETI will really drive that whole effort. We're all interested in reducing the cost of military spending. This is a very pragmatic and a very real way to make that happen.

MR. MALARKEY: One other point on the federal engagements, one of the screens when BEETI came together was that we would be satisfied and it would have been a value exercise if we got no federal money. So it's like -- it was going to make sense for us to do this and we would like -- and whether it's, you know, the federal government is customer to the military or federal government as investor through the Department of Energy or HUD.

But I think -- but there really was -- because it was data driven, because we said this is actually connected to a market opportunity, that -- and just the value of getting agreement among key leaders in higher ed in the business community that we are, I just think there is a shared understanding, that the conversation that happened at the regional level adds value as we start trying to align resources, because there's a lot of different pots that we need to align. And I think -- of itself, that was valuable.

MR. DOUGLAS: This reminds me, you know, when I first started working for Henry Cisneros at HUD, we took a walk around the building, and we literally interviewed every -- or talked to every staff person in the building. And we went up to one individual and said, what are you doing? And he said, I'm waiting for the regs. And it strikes me that what we're really describing here is the maturing, you know, of cities and metros, public and private, civic, university, we're not waiting anymore. I mean they're basically grown up. You know, we still have a system which is almost a parent/child federal republic, now the children are beginning to say, wait a second, I mean, you know, if we really do drive the economy, what are we actively -- acting like it, you know, and began to try to sort of steer and form reform policy.

Now, questions. I know someone is sitting out there, right over here.

MR. LINCOLN: I'm Sam Lincoln from the Council on Competitiveness. I once had a conversation with Jerry Abramson, the Mayor of Louisville at the time, and he pointed out some of the obstacles that he faced with the federal government because every department defines regions differently.

I can give you countless number of examples, I won't waste the time. The question is, what can be done about that? Do we get some kind of either flexibility or standardization so that even when you have like the suburban, urban, rural differences at EPA, you might be able to encourage them to have joint projects.

MR. KATZ: Definitional issues both for the feds and for the states or for the metro.

MR. STEPHANSON: From the federal side, I think that that is an issue that is of interest to us, it's one that we are looking at. There's members of what we call the Task Force for the Advanced and Regional Innovation Clusters, and they've been developing some definitions. And in that task force, there's several agencies involved with doing kind of regional economic development work, and they've been -- and Ginger Lew is the leader. I don't know if she's here still, but they've been working on some common definitional types of language around regions, around clusters, a lot of these types of terms that are very important in terms of driving the way that we invest.

But, you know, going back to Bruce's original point, some of this is statutory, that we've got to work it out through the maze of doing it that way. But I would say that, you know, I've only been working in the federal government for a couple of years, but a lot of people who have been working at agencies for a long time have commented that in this administration under President Obama's leadership, there's been very high levels of interagency collaboration, coordination, and efforts to try to streamline and make consistent the rules and the regulations that are governing how we invest in community.

So that was one that we're working on.

MS. NELSON: I think it's important to point out the President's memorandum that came out, what, four weeks ago, six weeks ago, encouraging agencies to look at rules that are getting in the way, so what will come of that, you know, we'll wait and see, but it's great leadership from the top.

MR. MALARKEY: I will say, you know, being a leader in a big state agency that actually manages a lot of federal programs, you know, there is just a huge amount of institutional momentum around compliance, right. And so -- and our people get -- I mean, that's their job, is to comply with the rules and the regs. And if they don't, they get smacked.

And so, you know, this is a cool little experiment happening over here, and there's this big monolithic enterprise that's basically the money comes down and you follow the regs, and so I think it's great. And I think there have been -- we have definitely seen changes, but I don't want to minimize the momentum that exists.

MR. STEPHANSON: I think the change that we've seen in the last couple of years, the other mayors talked about the cooperation between Commerce and Transportation and HUD, we're seeing that in very real ways in terms of how we build our transportation systems, what kind of housing occurs, and what kinds of businesses occur. As a part of that whole effort, we're seeing more cooperation, more understanding that that's how business works with this administration than I've ever seen in my public life.

I spent over 30 years in the private sector, this is how the private sector works. They develop business plans, you sell those business plans, and for all of us in the public cooperation, we have to do it better and smarter than we've ever done it before. It's a different game.

If you expect to hire a lobbyist who's going to go off and get you transportation money, I think that you can't ignore that that is part of the process today, but you've got to do business differently.

SPEAKER: Well, I think if we had an international representative on this panel, particularly from some of our competitors like Germany, if we had someone from Stuttgart here, they would say, this is all quite interesting, guys, we've been doing this for the last 20 years, and at our national level, transportation and housing sit in the same agency, and the cross-cut between them, particularly as it relates to metros, is more seamless than it is here. So because of the way we operate, it's hard to create a new agency. This may be a good thing, as opposed to Bob, you know, a government being created every 18 minutes or whatever, you know, there goes another one, the Water and Sewer Authority, you know, I won't mention a particular name.

But I mean we have to look to our competitors and see how they're doing business, because it's quite different from here. Questions, right over here.

MR. DUKE: Just a couple questions. My name is Charlie Duke, Samos County. A couple questions for the federal government and the state government is, when you comply to the rules, you criticize in some states, okay. For example, incentives, they're not equal across the board. Each state, with incentives, at some point you incentivize yourself out of existence in being competitive and creating jobs and opportunity. How do you leverage that with the states and the federal government when you apply those things?

There's the issue that we talked about the unions, what they played in making those regional decisions, and my friend I was talking about, in our situation, you've got a two-state region that -- the region is not controlled by that region, it's controlled by the capital, which might be Chicago, and St. Louis is in Jefferson City. It's those type of dynamics that you have to address.

MR. KATZ: A very interesting question. Anyone who wants to take on this one. We're going back to the Constitution here.

MR. MALARKEY: I've got a couple notions, one, I would be remiss as a state official if I didn't say this. You know, the first thing we've got to do to help our economy is deliver on our basic public services, right, and so you've got to have a tax. You've got to have enough resources, so you've got to have an adequate tax base. And you've got to have a productive system, and so basic infrastructure, education. And I think, you know, that's the first thing to do, right, so I don't want to ignore that.

Here we are talking about the stuff that's right at the edge of the public and the private sector, which is important, but you've got to get that fundamental, so that means -- so you've really got to -- and we as the State of Washington have said, we are not going to compete on, you know, racing to the bottom in terms of who can offer the biggest tax incentives. We have some constitutional prohibitions on that, but it's also just not what we've chosen to do. So I think we really are -- there's a big effort under way about how do we try to drive productivity into the public sector, across education, across transportation, that certainly precipitates good, interesting conversations with organized labor, but I think they're starting to realize that, hey, you know, let's think about the customer here, and, you know, that's an ongoing process.

So I think, you know, it is -- that really is the foundation for competition. We want to compete on talent, we want to compete on having made good public investments, and we want to create on having a really great quality of life, because we take care of our water, we take care of our air, and that's going to help us attract the work force.

I do want to -- I mean to really own where we're not getting it done, you know, Eric's statistic, you know, we're importing all of our talent. We're fortunate that we have a great quality of life and we can import talented people, but we are letting down our kids right now in Washington because we're not getting them the skills that they need to be successful in our own state, and that's just, you know, we've got to take care of that.

MR. KATZ: Sandy, and then we'll move back here.

MR. APGAR: Sandy Apgar. I'm from Baltimore, where the city generates cost, but is impoverished. The country surrounding it is wealthy. The largest employer is the University, Johns Hopkins. If the mayor, the county executive and the president of Hopkins were sitting here, what reactions would you propose to start to launch this process?

MR. KATZ: A launch, right?

MR. STEPHANSON: Bruce, I would start from this perspective. We've all seen the impact on local governments through this economic downturn. We are in Everett one of the few cities that, when the economy was good, we got, you know, we applied some fundamental business practices, we reduced our debt, we renegotiated our union contracts and got our medical costs under control, and lo and behold, we've gone through this downturn without layoffs and without serious service cuts.

Is it easy? No, it's very difficult, and we've had to work that every single day. So I think there's sort of a fundamental foundation that's necessary here that local government does need to operate like business operates. When its cost and debt begins to exceed its ability to serve and to serve its citizens, the banks still want their money. So if you've got a lot of debt, now you're cutting police and firefighters from the street. So I think that that's sort of fundamental to this entire -- to this entire discussion.

The thing that we want to make sure happens as we go forward is that we -- that business is very much a part of this equation, as well as labor. I think it is fundamentally wrong if we look at labor as the enemy to financial success. They very much understand the necessity of competition. Sure, they want fair wages and benefits for their employees, but they're not the enemy. And so if we create enemies in this process, we're not going to be successful. We really need to collaborate in every way we can, and that sometimes means that you don't get everything you necessarily want.

MR. MALARKEY: So I think, you know, Ray makes a good point. Like within each institution, we're all trying to figure out how to streamline, how to be more productive within whether it's the city, the county or the university. But I do think, you know, this collaboration theme is important, and part of it is -- and we've had some great examples today of people who have been competitively historically and come together, and it's like any negotiation, it's like there are joint gains if we work together, and so how do you get those joint gains and then realize that, you know, there's some tough decisions, and you have, you know, urban areas that have, you know, that may be starved for resources, and so is there a deal to be done with -- among the other parties that actually is going to benefit everyone, but, you know, the value flows can go in different directions.

But I think it starts with the premise that we're going to be more -- there are opportunities for joint gains, let's get together and start having that conversation.

MR. DOUGLAS: You know, they've been doing it -- I can just speak from the federal side, what we've observed, but I think that, you know, from what we've seen, the regions that have been successfully doing this, it seems like the thing that underlies it all is that you have to have across a broad array of stakeholders the commitment.

This is not easy to do. There's different interests, there's different priorities, but if you have the commitment at the top levels of leadership that our interest can be better served by working together to develop this type of strategy, that's the type -- that's when we've seen it get done. And you can't be wavering on the commitment, because there will be bumps along the road where the county will say the city is, you know, doing this to me or vice versa, they're not cooperating, but if you had that kind of foundation, one, then, two, I think you have to broaden the group. It's got to be more than just the city, the county and the President of the University.

You know, they were talking about, if you heard from the regions, all the people they've met with, their collaboration is vast, more vast -- when we talk at the federal level collaboration, this is much beyond that.

And so I think that those are kind of the core elements, but when the interests are aligned, like you have here Microsoft, you have the city, you have the state, and I bet if you ask each one, there's strategic things that each wants to get out of this plan that's going to benefit Microsoft, it's going to benefit the city, it's going to benefit the state, when you put that together with the commitment, then these things can happen, and it's finding those, as you said, finding those opportunities is what's the key.

MR. KATZ: But most parts of the U.S. seem to almost be like a fact free zone, you know, so this evidence platform, going back to what Kim was saying before, so that when the idea virus hits, whatever it is, it's, you know, one year it's life sciences, and the next year it's stadium, then it's convention center, and then it's film, right. We all want Brad Pitt walking in our, you know, downtown for three minutes. I mean a smart region knows here's who we are, here's how we build.

MR. MALARKEY: Which means you're going to say no to stuff. So I mean -- so in the clean energy sector, we have some entrepreneurs saying I don't see myself in your plan. You go, well, you know, you're right, that doesn't -- you know, it's something, you know, there's a broader ecosystem that you're a part of. But we have made a bit of a bet here and we'll see if we can attract the resources to execute on it. But to that point, then when the next big thing comes along and you say, no, we're -- this is where we're focused.

MR. KATZ: I've got one right over here.

MR. PACKER: I'm Arnie Packer of Johns Hopkins. The Labor Department programs, especially now, are focused I guess on retraining people and on youngsters who have yet to get a job. Are they part -- is the Labor Department programs, the work force investment boards part of your conversation, and can you specify in concrete ways how that might be --

MR. MALARKEY: Yes, I sit on our state Work Force Board, and so, you know, there's been a big emphasis on green jobs, and particularly with the Recovery Act money coming, and candidly, you know, that happened so fast, and the plans weren't really in place, and so we've been training people to do some retrofits that aren't happening in the market because the housing market is still on its back.

So I think, you know, there is a -- we clearly understand that there are -- there's a different set of skills. When you think about, you know, how would you make this building 30 percent more energy efficient, there's a whole set of skills that are -- that we need to integrate into our community, in technical colleges, and also, you know, make sure our higher education institutions are kind of driving the next wave.

So I think we think about it, and I think we're still -- I mean, in our state, I think we're still candidly looking at what's working and what's not working.

It needs to get better. I think, you know, flexibility is a key issue there for us when we think about, you know, the work force dollars that come into our state and how can we, you know, move them one direction or the other.

Getting it to benefit the broad swap of the work force is also a key priority. And so, you know, one of the challenges that I have in my job is, we have been really successful with our technology companies, and the top 20 percent of our income distribution has been doing relatively well. The bottom, you know, the middle and the bottom have been stagnant, and so I think when we're thinking about these strategies, we're saying, you know, where are the opportunities across the full weight spectrum.

MR. STEPHANSON: You know, I think also, and this is true with a lot of states, we're hanging on by our fingernails when it comes to higher education. It's where we should be focusing our investment for the future, and it's a very difficult challenge for every state.

Our governor has put together a task force on higher education that is looking at more private sector investment, building an endowment, and oftentimes the -- it's --

MR. MALARKEY: And raising tuition.

MR. STEPHANSON: And raising tuition, yes, but at the same time, it's not the low-income student that's suffering in this process because we do a very good job of supporting low-income students. It's the middle class that's not able to get into our universities.

And we have had some successes. In Snohomish County and in Everett, we now have in legislation a research institution that will come to our community. It's a foundational move. It will build over time. It will support the Boeing Company and other STEM degrees that are necessary for our economy.

But for all of us, I would suspect in every state, and in this country, we have to figure out a way to invest in higher education at a more significant level or we're going to continue to fall behind.

MR. KATZ: Derek, this question to some extent was directed to the Seattle plan perhaps. Do you want to respond directly?

SPEAKER: So I think the one thing I wanted to maybe have the panel address in our last minutes here, about the role of metropolitan business planning, really essentially the role of the public sector in helping business be successful. And I think the one thing I want to make sure that no one leaves here today saying is, oh, what we're hearing is, the public sector is going to do business now, and that's very different.

So what are we really talking about maybe from Microsoft's perspective and also from the public side, what does it mean to have a business plan to support business, but not be doing business?

MR. KATZ: Great question.

MS. NELSON: Well, I mean, obviously we all want a robust economy, right, and that's what it's all about. I will say from Microsoft's perspective, what we really hope to do, as I said, is help government solve big problems. And with over 70,000 government entities across the United States, we don't want every single government entity recreating the wheel over and over again. So the value of a program like this one is working cooperatively to demonstrate that a solution can work, right, you have a blueprint, and that we can then help with our resources take that solution around the country so that other entities can implement that without having to start from scratch.

MR. STEPHANSON: You know, I think from the public sector, and I guess this is a confession, I do want to get in there and generate business, but really our job I think is to lay the foundation, to make sure that the tax structure is fair, to make sure that the public investment that will drive private sector and investment happens in parallel and is supportable, that we look for and recruit actively and partnership with the public -- with the private sector. Those are the kinds of things that we can do, and I think we can do well if we're aligned with business as a true partner.

MR. MALARKEY: So I think, you know, the state has a big influence on a lot of the regulatory environment that's going to make -- that makes energy efficiency work or not work in terms of how we regulate both our public and private utilities, the building code, even what it takes to, you know, get a building permit.

So I think there's -- one of the roles for us -- you were saying, hey, there's a market opportunity here, we can be a participant in that, and we're actually going to learn a lot from that as we start thinking about how -- what do we need to change on the state regulatory side to actually help these companies be successful. And so I think, you know, this effort, you know, relates to kind of our broader energy strategy, you know, at the state level, where, yes, we want to grow our clean tech companies, but we also want to make sure we've got a long-term path towards reducing our carbon emissions and maintaining competitive energy prices.

And so I think it helps -- it's going to drive, you know, good thinking and reflection on how do we change the broader policy environment.

MR. DOUGLAS: And from the federal side, I would say that, one, we need to gather the way when the right thing to do is to get out of the way, so that the businesses and the work force and the strategies that you're trying to advance can advance without the federal -- bumping up against federal rules and regulations or silos that block that.

I think, secondly, it is to try and get the federal government to be more customized in terms of how we invest in communities, and to help regions identify the resources that are out there. There's thousands of programs, there's more stuff than, you know, I have no clue what all is out there, I'm sure any region has no clue all the stuff that's out there. So if we could find a streamlined way to help regions navigate what's available to them to -- as a source of investment for their locally driven or regionally driven strategy, I think that's another thing at the federal level that we could do to help.

MR. KATZ: Let me just build on this for a second, because I think the hallmark of private sector business planning is its constancy, it's always happening, you know, particularly in a global economy that's so volatile and disruptive, and particularly when you're dealing with the clean energy sector or other newer sectors that are emerging.

So within the Seattle community, State of Washington, is this perceived as the first of many efforts to sort of declare Seattle's unique and distinctive position, whether it's regard to clean energy or whether it's regard to some other aspect of the economy, I think that's the challenge here, because I think ultimately what we want, it's the culture challenge. It's not just to do, well, that was a really interesting exercise, let's go back to where we were, and we know what that looks like. It's let's move to the next thing once having succeeded at this level, which I think actually this is a -- I think all three of these, frankly, are successful investments. I mean, they will be successful investments because they sort of hit their challenge and their opportunity in the right way, but does it lead to the next business plan or lead initiative?

MR. MALARKEY: Yeah, so I think, you know, my boss is a former Microsoft VP, and so I think there is a lot -- there's been some good interchange between the public and private sector. And the prosperity partnership in the Puget Sound region really has brought those two together. And I do think that we -- you do some really good analytic thinking about, so where is it that we are, you know, where we do have solid bases of global competition, so you understand those sectors.

And so we're organized across, you know, clean tech is a growing opportunity, aerospace, information communication technologies, or life sciences, so we have picked off areas where it's not just -- where we know we've got something going on and there's an opportunity to kind of continue to iterate through this. And we are really trying to bring a regular update to understanding that position, and then things emerge, and you shift, and it's got to be a constant process where you understand, you know, how things are changed, and you get surprised. You know, things happen and you've got to adjust.

SPEAKER: I'm putting myself on this panel right now, I hope that's okay. Just one very quick story. So many of you know that we actually did a smaller version of this Metropolitan Business Plan rollout in Chicago in December at a Brookings event there. And someone came up to me and they said, so you think that if you just do this energy efficiency IT thing, that's going to fix your entire economy? And I said, no, I'm sorry, we must have misspoke here. We need to really focus on our higher ed system. We need to really focus on the industries that we have, like aerospace and IT. We need to grow other new industries, like global health and information technology, specifically in that interactive media video game space, we need to work on spatial efficiency and everything else.

This strategy, this BEETI strategy, is one very deep dive within one leverage point, within one Metropolitan Business Plan. And I think, Bruce, to rear what you just said, metropolitan business planning is a discipline, it's not a one time activity. We're saying we want to think in terms of business plan and iterate and make activities based on solid business planning.

MR. KATZ: In Northeast Ohio and Minneapolis-St. Paul, is there the same sense that what you've done here is going to have sort of a natural discipline essentially, a natural way forward, Brad?

MR. WHITEHEAD: That is very much the case in Northeast Ohio, where we, again, even don't talk about it as a plan as we do a set of evolving priorities, and then the sense, as well, that this is something that's probably a 10- or 15-year journey with milestones along the way. And so it is about getting the alignment around those priorities, which then individual plans at the local county and other levels can be oriented.

SPEAKER: I would say our work is very much about a long term business plan that's going to evolve over time. But I think it is important that the work we're focused on, while we're focused on entrepreneurship early is really common ground work that can help every business. Quotas of opportunity, investment in early stage capital apply as the economy evolves. So, sure, we care that we may or may not have this right as the economy evolves over time, but what we're really trying to do is to create the common ground that helps everybody succeed.

MR. KATZ: Any other questions over here? Right over here, and then I want to come back with one sum up.

SPEAKER: Isaac (inaudible) from Johns Hopkins. I know you've heard from a lot of Johns Hopkins. My question has to do with my perception of what I've heard, that the metropolitan planning process that everybody have talked about, my sense is that you're saying it's market-based practice, and to the extent that you agree that's that what you say, you say policy and politics need to actually have that process work.

But a lot of the questions seems to still feel like somehow it's a mystifying process that interrupt between politics, between government and somehow the private sector plays into that.  And, to me, I think to go to Sandy Apgar's question, in order for this particular practice to be reputable and to allow (inaudible) to really benefit, we're very interested in how the market practice is transparent so that people can participate in it.

And, to me, I think one of the points that you've made, I looked at some (inaudible) I talk about governance, and it's not about rule of government. It's about how to  (inaudible) design this governance to facilitate the continuous improvement in business planning that you talked about.  So the next thing that we're going to articulate that whatever mechanisms you guys have thought through that will be very critical, because, to me, I think that is the kinds of practice that people can replicate, so that we move away from this mystery of politics and policy-making to an actual market practice where people can begin to envision transactions that flow from these types of (inaudible).  So thank you.

MR. KATZ:  Well, this is actually something I wanted to ask Derek and really the state at the end, because I think what's so intriguing about these three business plans is, they come up with very different leads, you know.

I mean the fund for our economic future in Northeast Ohio is really an intermediary created by the philanthropic community, and then they're networking with everyone under the sun.

Minneapolis-St. Paul, you have this mayoral-led effort, you know, nested in regional mayors, regional business in Greater Seattle. It's both the Puget Sound, but it's also this prosperity partnership. So to the same extent the economy of these places don't look very similar to each other, the leadership -- you know, who actually is taking the lead -- does this create issues, I mean, at the national scale, which tends to like everything to look just the same, you know?

SPEAKER: It hasn't created any issues for us, at least not for me. But I think what makes it work, though, is that, from our perspective, it's the breadth of the collaboration. You have a lead, but that lead is backed up by a broad cross-section of stakeholders, most of which, you know, are -- receive federal funding and whatnot, and that's what was really important.

When we had the meeting at the White House, when we met with the representatives from each of the different regions, a lot of the focus and the attention from the agency officials who were there was the extent of the collaborate, who else is part of this. And I think that once folks had comfort, that regardless of the lead, this was a broad based coalition, we can work with them.

SPEAKER: Yeah, I think it's more to distinguish between a formal authority -- your formal legal authorities and then these informal, you know, collaborations, because I think if you get agreement in that informal setting, and it -- that's why you can have these three different organizations playing this role. Then people say, okay, within my formal authorities, here's what I'm going to do. So, you know, we at the state, we have a certain process, we're doing capital allocation, it goes through our legislature, you know, so we -- within my direct formal authority, there's certain things I can do working with the governor, and that's got to connect with stuff that Everett's doing, with what the authorities of the Navy and the rest of the Department of Defense, so that's the way I think about it.

And the utility of it really is, if you can build some shared agreement -- and what's interesting is, there's lots of different forums where we connect around what it takes to be successful here, so this is one part of it. But again, there's a regulatory context, there's a legislative context, and I think it's just having that shared understanding. And that really goes to the transparency, because I do think that there are -- I mean, this is a transparent process to the extent people care about it, right. So, I mean, there are players who are there, but when it gets in front of the Utility Commission and we're talking about how we're going to change -- how we're going to charge utility rates so we can allow more innovation into the utility sector, why, you've got a whole bunch of new people who really care about that. And so -- but I think having done the groundwork on why this makes sense, you're then better prepared to have that conversation.

MR. STEPHANSON: You know, thanks to Brookings, you know, you really brought this idea to us first as communities looking around the globe in places like Stuttgart and Spain and other countries who have done this with success.

And I would submit to you that we very much have to have success in our projects that we've identified. That will be the determining factor. I hope you'll have us back here to talk about, you know, our measure of success in this process, because that's what will drive the federal administration to say this works, we want to invest. It will make local government partnership -- partner with business to say this is a proven process, it works, we want to be part of it. So, you know, I think all eyes are on us, and we accept that in the Seattle area, and we want to be back later to talk about our success.

MR. KATZ: On that note, I understand that Senator Klobuchar has entered the building, unlike Elvis, but does anyone know if that's really true, because -- oh, she has entered the building, fantastic, okay. So I want to thank this panel.

We have one more speaker here, and I thank everyone for literally staying, because, you know, unlike a lot of other forums at Brookings, I mean, this is a forum where people have stayed until the end. And I think, Senator, that's partly because you're here, but I think it's partly because people feel like something new is being invented here.

So we thought, when we got to the end of this forum, that it would be important to do two things. One, it would be important to invite someone from Commerce who represented one of the places either in the House or in the Senate of the business planning, and with Senator Klobuchar from the great state of Minnesota, we have met that task. But we also wanted to invite someone who has been thinking about the economy and thinking about where the American economy transitions in this post recession phase. And I think your work and your leadership of this effort around innovation and competitiveness and export promotion really prepares you well to respond to regions of the country, metropolitan areas as their hub, but broader regions who fundamentally buy the proposition that the next economy must be fundamentally different from the prior one, and we need to build it with intentionality and with deliberation.

Senator Klobuchar.

SENATOR KLOBUCHAR: Well, thank you, everyone. Thank you, Bruce, for that kind introduction. I'm well aware now that I'm the only thing standing between you and lunch, is that right? But it is wonderful to be here, especially with our two great mayors, Mayor R.T. Rybak from Minneapolis and Mayor Chris Coleman from St. Paul, where did he go, there he is back there. You know what Garrison Keillor says, you know, Minnesota is a place where the women are strong, right, the men are good looking, and all the mayors are above average, that's exactly what he said.

So I really wish I could have been there with you all morning. I hear you've had some really good discussions and a lot of questions. You know we've had a few things to do like stop the government from shutting down, or as my daughter said the morning when we didn't know what was going to happen, last Thursday morning, she woke up and said, Mom, is the government going to meltdown today? I'm like, well, it sort of already has. But in any case, I was glad that we were able to reach that agreement on Thursday and there's still a lot of things being worked out, as you can imagine, and so it's actually really good to be here away from all of the somewhat fighting that's going on right now. And I'm also hopeful that we'll be able to do some really important long term things, and I'm glad the President is going to address this on Wednesday. And we have a bipartisan group that I've been -- part of the bigger group, but there are six senators right now who are trying to negotiate something, as well, for the more important long-term budget.

I've been chair of the Committee -- Subcommittee on Competitiveness, Innovation, and Export Promotion. I'll be honest, I named it that because I thought there wasn't enough work being done in the United States Senate on innovation.

It was a little bit of a step up from the initial subcommittee that I got assigned to, which was the Ocean Subcommittee. I'm from Minnesota, okay, and I got -- Harry Reid put me on the Ocean Subcommittee. I remember being at the first meeting, I looked around and I saw Trent Lott, Olympia Snowe, John Kerry, and I finally wrote a note to Frank Lautenberg that said I'm the only senator on the Ocean Subcommittee that doesn't have an ocean. And he wrote back to me, no problem, just come back next year and ask for one. But I actually did figure out -- I figured out many years later why Harry Reid put me on that subcommittee: It's because I can see Lake Superior from my porch.

Okay, so now, I wanted to get back to my actual remarks here. I acknowledge that we have many great Minnesotans into the -- the mayor is here, Margaret Anderson Keller, our former Speaker of the House of Representatives, who also is doing a lot of great work right now with the high-tech group in

Minnesota; Caren Dewer, who I long knew from when we were together. One of my first work in politics was being on the Seward Neighborhood Board where I lived, and she put that together.

Cathy Shmittlekoff -- did I say that right; I hope so -- who I know has organized a lot of this; Cecile Badore and others who are here that have really put together our great Minnesota group. And I know you have people from all over the country that have been working on this, as well, and I want to thank you for that, and companies that have been part of this effort.

I think you all know that the Twin Cities actually, and Minnesota, in general, really has a thriving small business and large business community. We're actually number 1 per capita for Fortune 500 companies, something people wouldn't quite imagine, that's because we're 7th for Fortune 500 companies and 21st for population in the country.

And a lot of our big companies began as small companies. Target started as a dry goods store on Nicollet Mall in Minneapolis; 3M started as a sandpaper company up in Two Harbors, Minnesota; and Medtronic, like so many great companies, started in a garage. And so we understand the transition from small to big and the importance of the thriving small business communities.

We've also had a long history of our government working with our business. And you see it in things that are as visible as our skyway system. Many years ago, people realized if we want to keep our downtown thriving, maybe we should make it easier to go shopping when it is 20 below 0, and we were able to work that in both cities in a significant way, despite the *New York*

*Times* referring to it as a human habit trail. It actually has kept the downtown thriving.

Also, in our stadiums, I actually was, you know, there's been this long time rivalry between Minneapolis and St. Paul. I think Keillor actually once referred to St. Paul as pumpernickel and Minneapolis as Wonder Bread. I think that was a joke; I don't think it was a compliment for Minneapolis.

But in any case, we have these -- we've had public-private financing of stadiums and we've been able to keep our sports teams in the metropolitan areas. But one of my more amusing things in the last month was hearing Mayor Coleman from St. Paul describe how the snow, as you know got so bad this year, we literally still have snow on the ground, it went on and on and on, and he did this little skit in which he admitted that it was he who took all the St. Paul from snow and brought it over to Minneapolis and put it on the roof of the Metrodome in Minneapolis, and as you saw, it sort of collapsed.

For me, that was a remarkable moment, because, in fact, I wrote a book in college about the politics behind the building of the Metrodome. It is still on the market and was going for 8.99 on Amazon until the collapse of the Dome. Mayor, it went up to 24.99.

And so -- but it is an example, a visible one, though, of kind of the projects that have been, and we'll, I have a feeling, we'll get a new stadium at some point soon, but the projects that are going on that have been a result of strong regional planning in our area.

Another example, the Itasca Project, a group of our state's business leaders, elected officials and non-profit organizations that focus on driving economic growth and sustaining local communities all through our state.

So that is partly why I've gotten so interested in this issue of the innovation and a competitive agenda for this country. It comes from the roots and it comes from what I've seen, where our state has an unemployment rate that is more than actually 2 points better than the national average right now.

Some of it has to do with our strong rural economy and the focus we had early on on energy, renewable energy. We have one of the most aggressive renewable energy standards in the country, 25 percent by 2025. And another piece of it has to do with the innovation we're seeing in our cities. And so that's what drove me as heading up that subcommittee, to start talking to some of my fellow senators who are very interested in this issue, like Mark Warner from Virginia, Lamar Alexander from Tennessee, and others about this idea of making competitiveness and innovation the centerpiece for moving our economy forward.

I talked with the President about it back in June. A group of us had lunch with him, and I was really pleased with the State of the Union and that focus that he had on competitiveness and innovation, and now we have to get it into policy.

When I think about this agenda, I always think about the Summer Olympics back a few years ago, the opening ceremonies in Beijing. And I don't know if any of you watched it, but they had this perfectly synchronized drumming group of 2,000 men that were perfectly synchronized. And I remember watching it with my family on this fuzzy TV up in Northern Minnesota thinking we're in so much trouble.

And since that time, those drumbeats have really gotten louder and louder. And while China is building millions of solar panels a year, we're still dithering over our renewable standard, or we're going to have a clean energy standard or what we're going to do.

While India is putting in incentives all the time for innovation and entrepreneurship, we're still playing red light/green light with the R&D tax credit. And while Brazil is graduating more and more scientists and engineers as the years go by, while we've made some improvements, I know, my daughter just was in the Virginia State Science Fair with her oil spill experiment, we are still not up to speed of where we should be in terms of graduating kids with degrees in science and engineering and technology and math.

So that's where I'll start, with education. I think that we need to increase the number of stem high schools, double them, in fact. I have a bill with Scott Brown, the Republican from Massachusetts, called Innovate America, which has a major focus on the idea of adding more stem schools, as well as then taking it up the next level and seeing how we can best get our high school kids focused in areas of technology.

And I'm not here just talking about the graduate degrees and the engineering degrees. I'm also talking about our two-year technology degrees, the technical colleges, and they are no longer your grandpa's community college.

There are ones in Minnesota, like Alexandria Tech, that have a 96 percent placement rate for 4,000 kids. They're teaching them how to run high-tech computer systems that run the assembly lines of today. And what we need to be worried about right now is not just those -- some of the lower paying jobs going to other countries, which we know has happened, but also some of these higher paying high tech jobs, because China and other places are starting to graduate students with the kind of degree they need to run their robotics equipment in other countries.

And so literally we don't have enough people to fill some of these jobs in Minnesota right now, and that's why these technical colleges, where you have obviously the high end engineering and things you need, but you also have the two-year degree so people actually know how to run the equipment that runs our factories today. We don't have enough people going into those areas, and we also have relocated workers that can go into those areas.

Also, college research, our country was made great by research by things like the Bell labs, and right now it is not as simple for that college research to be turned into actual products and into jobs. They get stuck into the valley of death and there's no funding there. So we have things in our bill, which, by the way, Lamar and Mark Warner are co-sponsoring now, which also makes it easier to turn that college research that's been sitting on a dusty shelf. The idea of getting these kids motivated early on and then having them work through so that they are getting actual advanced degrees in these areas, as well.

The next piece of this is red tape. If you notice, the President wrote a piece in the *Wall Street Journal* back in January about the need to look at the red tape that's holding back some of our exports and some of our industries.

In our bill, we actually look at the top 20 industries that export, and it's everything from movies to AG equipment, to high tech, to medical device. What are the barriers that are holding back those industries that we really want to grow, that we really want to export?

I can just give you two examples, things that could be solved without legislation, which sounds kind of good for me right now. One is tourism. One of our biggest exporting industry, one out of eight people in my state alone employed there, nearly that number in the country when you look at the repercussions from tourism for our country.

Since 9-11, we have lost 20 points in the international tourism business. Twenty points. That has nothing to do with the current economic downturn. We've lost 20 points. Every point is 165,000 jobs. It has gone to France, it has gone to Great Britain, it has gone to Indonesia. These other countries are advertising their countries and coming to their countries and beating us out every step of the way.

Well, last year we finally passed the Travel Promotion Act, that came out of my subcommittee. The Travel Promotion Act actually, for the first time, allows our country to advertise America internationally. It uses money from visas, not taxpayer money, but $10 fees that foreign visitors pay on visas. We're paying it all the time to pay for their advertising against us, and so we are finally going to be able to advertise our country internationally, and it's going to be leveraged with private money. It's literally from the tourism industry, it's literally hundreds of millions of dollars.

Secondly, visa delays. Right now if you're in China and you want to visit the Mall of America in Bloomington, Minnesota, it can take you, if you're in Shanghai, it can take you an average of 93 days to get a tourist visa. The average for China as a whole is about 50 days. If you want to go to Great Britain, it takes you 10 days to get a tourist visa. Now, imagine the pull when you're trying to -- you're planning a vacation, you're planning a trip, and when you come to our country, you're going to spend an average of $5,000. So those are real jobs and things that could be changed by expediting, by adding more people to work on these things that pay for themselves because of the visa expenses, and so we need to do that.

Medical device, we've seen a third of the medical device investment money go to countries in Europe, because the FDA has been taking too long to approve medical devices, there's just no doubt about it. That's what's been happening, and while safety should be our primary concern, we have to also look at innovation and efficiency and figure out how we can best change that process and make it work better.

Those are just two examples that are near and dear to my heart, but you can find them with every industry, whether it's defense industry, where we want to be able to loosen some of the export controls now that we're cutting back on some of the defense spending, so that some of the nuts and bolts, not nuclear missiles, but some of the nuts and bolts can be exported to other countries. You can literally go through all of our exporting industries and find things that we can do to make it better. Some of them involve legislation, but some of them don't.

The next example I'd say for a competitive agenda would be exports in general, just making this, as the President has done, the centerpiece of our economic reform. Ninety-five percent of our potential customers are outside of our borders. And you think regionally, as I know you're thinking right now today, through your panel discussions, you think regionally of your greatest exports potential, and that's what we've got to do, we have to cross city lines, borders to work on this.

Southern Minnesota, Tim Penny, former congressman, has taken that whole group of counties down there and said what are our top three areas that we export in that are best? What are the top three that we want to go into? And with Southern Minnesota, Mayo Clinic, right, we've got medical, we've got food, we've got agriculture equipment, things like that, and they're looking at it as a region, not just as an individual city.

I'll give you examples for exports. I think so much of the focus always is on our big companies, and they do lead the way, and they should have most of the focus. And for them it's things like, I know Cargill met with Secretary Clinton because felt that more of the embassy's time should be spent on focusing on exports, focusing on getting contracts in other countries.

Some of the other embassies for other countries, that's all they do is help businesses get contracts, so that's a piece of it. But for small- and medium-size companies which have to be a part of this equation, it's a different world. They don't have a full-time trade export like 3M or Cargill or Microsoft, they are on their own, and so that's where the foreign commercial service comes in and can greatly help them just with little, little money in terms of plugging in products into a computer and figuring out where they can export.

An example, mad tracks, Northern Minnesota, and Karlstad, Minnesota, the Moose capital of our state, population 900 people. This company was started because a little kid named Matt who was in second grade came home and he told his dad, you know what, Dad? Here's a picture I drew that you can make this. And it was a truck, and he drew the tank tracks on each wheel. And the dad said, no, Matt, that's not how it works. You should have seen on TV, the tank tracks go between the wheels. And Matt goes, no, Dad, this would be really cool. You could build this so you can put the tracks on each wheel and then you can just take them off and use it as a regular truck.

So his dad's a mechanic. He went to his shop, he designed it, and in a year he had four employees. Then one day he took his truck without the tracks and drove to Fargo, which was the regional headquarters for the foreign commercial service for this part of Minnesota. This woman named Heather who worked there plugged the product into the computer, made some calls for about an hour, and within 2 years, he was exporting to 25 countries, all because of this one visit from Karlstad to Kazakhstan, and now has 40 employees in a town that has 900.

Darrell Ackerman in Southern Minnesota, in a cornfield near Austin, Minnesota, has a business where he does trenchless digging. He takes these huge pipes and he puts them underground and they push the next pipe down, and so you can lay water and sewer without disrupting neighborhoods. Well, guess which country they're really interested in right now? India, China. His only other major competitor is in Germany. Because of exports, he now has 77 employees. And last year, I don't know if the mayors know this, this is a true thing about our state, Darrell Ackerman was named International Trenchless Digger of the Year, okay. These are the things that make my day.

But in any case, so when we look at exports, and we look at the funding that we're getting into with the government, and you look at your regional planning, it has to be directed toward what are these markets and what can the United States government be doing in addition to getting rid of some red tape, but also helping some of these small- and medium-sized businesses, which are really often times the thriving part of our downtowns and especially our rural areas, what can they be doing to help them to better export.

So those are the things that I've been focused on with this competitive agenda. I really believe it's something that brings people together across regional lines, and it also draws them together across political lines. It's what Tom Friedman, Minnesota native -- have I said our state's name enough for you guys, are you getting tired of it? -- Minnesota native and *New York Times* columnist calls nation building in our own nation, and that's what we have to do. And I have just found, just by my own experience working with my colleagues, that this is the centerpiece of how we should move forward. And, by the way, it explains a bunch of stuff. If you have to explain why we have to do health care reform, well, we can't compete internationally if these huge costs are weighing down not only individuals in our country, but also small- and medium-sized businesses, so people aren't even leaving their jobs because they're afraid of losing their health care, so you lose that innovative edge.

Why do we have to do something about immigration? Well, because we're losing that innovative edge. Students are coming from other countries, they're studying in our country, and we basically staple a do not apply sign to their diploma and tell them to go back and start the next Google in India instead of starting it right in this country.

Or when our companies want to recruit someone to come work at our companies, why do we say no, we have a cap on the H1B visa in this area, so you're going to have to contract with them? And so then they'll be paying taxes in France instead of paying taxes in this country.

This is not what made our country great when we look at innovation and competitive agenda, or it explains why we have to do something with energy. So we actually have a standard in place so that we're building our own jobs and home grown energy in this country. So you can literally go through all of these policy decisions that we have to make and these difficult decisions, including the debt and the deficit. We don't want to be like Ireland or Greece, we want to make some long term changes that are going to bring down the expenses and make this country more competitive.

I just think it's a very good framework to explain what we need to do to move this country forward. So that's why I'm excited about it, and I'm excited about the work that you're doing and seeing how that fits into the metropolitan business plans and the work that you're doing fits in and that Brookings is doing fits in with this competitive agenda.

So I want to thank everyone that's had me here. I do welcome you to our office whenever you're walking by. Every Thursday morning we invite the entire state of Minnesota and our friends to breakfast. We will be serving treats from Minnesota. If you're lucky, you'll come, and we have Spam, Spam puffs we have sometimes, it's very, very much of a delicacy. We also have patitsa every Thursday morning, which is what my Slovenian grandma always used to make, and she would literally roll this out on three kitchen tables and put walnuts in it and roll it all up. We have it from the Iron Range of Minnesota every Thursday.

And I will end with one story. Senator Harkin came to visit. You don't know this, but despite his name, he is half Slovenian, and he came and he liked it so much that he decided he wanted to give a patitsa to every member of the United States Senate for Christmas.

So he tries this patitsa, and he calls me up and he says, you know what I found out? They don't make it in Iowa. And I'm like duh. And so I gave him the name of who to call in Northern Minnesota, and he calls the baker. This is a very sort of rough and tumble part of our state, and he calls himself. He says I'd like to order 100 patitsas, one for every member of the United States Senate for Christmas. And the woman says, it's Christmas and we're booked, and we don't have 100 patitsas to send to Washington, D.C. He says, well, I don't know if you know who I am. I'm calling personally, this is Tom Harkin. I chair at the timely Agriculture and Forestry -- there's a lot of trees up there -- Forestry Committee of the United States Senate. And she says, I know exactly who you are, but we don't have the patitsas to send to Washington, D.C. But we have them every Thursday morning, you're welcome to join us. Thank you for all the work you're doing. Have a great day.

MR. KATZ: We have time for maybe two questions. Anyone, a burning question from the audience?

SENATOR KLOBUCHAR: How about what's in the $78.5 billion in cuts? No one knows yet.

SPEAKER: I love everything that I've heard about getting together as regions and using a template like the business plan, this makes so much sense. How much should the federal government do to incentivize this? Should we require this kind of template for grants, should we require that people come to the government as regions?

SENATOR KLOBUCHAR: Well, you know, I think that the more and more you see governments requiring collaboration, I used to be a prosecutor for eight years, certainly we've had some great improvements in that area because we required local, state, federal when they did these task forces on gangs and things like that, we required that kind of collaboration.

And I don't want to say right now without having looked at exactly what the requirements would, that you'd want to require it for every project possible, I think I might get in a lot of trouble for doing that, but certainly I think this kind of regional looking at things is a smart way to go and should be something that we would want to create incentives for in the future, because, again, you know, you can have one town, and this is what -- I just keep using this example from the southern part of our state because I've spent some time with them down there and I know in urban and other settings that that's what you're looking at, you know, they were just competing with each other.

One town -- one county over the next, it was crazy, over, you know, one grant for this, one grant for that, trying to get this little business park in, and then they get this business park, and they maybe get one business in each, and then the whole project fails, it just didn't make any sense at all.

And I know that one of the grants, I was up in Brainerd, that's working on this up in the northern part of our state, so that the same would hold true obviously for a metropolitan urban area, as well, that you want to look at what your strengths are, what are those products which I've argued that you could export and make part of this, and then how do you get those business in as opposed to competing with each other along county lines, city lines, and even across the border, in regions.

MR. KATZ: Last question, a burning question.

SENATOR KLOBUCHAR: It doesn't have to be a burning question.

MR. KATZ: You've exhausted everyone. Senator, thank you so much for --

SENATOR KLOBUCHAR: Okay, well, thank you, I appreciate it, all right. (Applause)

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public in and for the Commonwealth of Virginia

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