

The Five New Realities of Economic Development in the 21st Century

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By **Sandy K. Baruah** As the head of the Economic Development Administration, I'm in the "what's next" business.

I am constantly asking myself and others questions like: What is the next strategy to keep the U.S. economy growing? What do economic development leaders need to do today to be able to take advantage of the next big thing tomorrow? How can our regional economies engage and succeed in the worldwide marketplace?

In order to answer these "what's next" questions, I believe we must consider "five new realities" of economic development in the 21st century global economy.

NEW REALITY #1: WE ARE IN A GLOBAL ECONOMY.

While perhaps the most obvious, it's also the most important. In the 21st century, we are truly in a global economy, or as New York Times columnist Tom Friedman says, the world is flat. In the new flat global marketplace, competition is not just from the firm down the road. Our competition comes from any person in any corner of the globe with a good education, a good idea, and a good Internet connection.

Let's put this into perspective with a little globalization quiz: Which of the following cars is the most "American" and which is the least "American:" the Ford Mustang, the Toyota Siena, or the Pontiac GTO? While car aficionados may know, the answer is not as obvious as it might appear.

- The Pontiac, while an American brand, is actually a product from Australia (GM's Australian subsidiary Holden) with a U.S.-built engine.
- Ford's iconic Mustang is an American product, built in America, and contains about 65 percent U.S. part content.
- The Toyota, while considered an "import," is not only built in America by American workers, it has a higher percentage of U.S.-sourced parts than the "all-American" Mustang.

So, yes, our competition is indeed global, but our understanding of what is American, and what is not, likely needs to be updated. With the global marketplace come opportuni-

ties for global partnerships – opportunities to expand our markets and increase our competitiveness. And, with 95 percent of potential customers for American products outside the United States, this reality becomes more important every passing day.

As we realize that both our potential markets and our competitors rest outside the confines of the United States, we must realize that our development approaches must grow beyond the traditional notions of competing against the city or county next door for the next "smokestack" prize.

NEW REALITY #2: THE PACE OF CHANGE WILL CONTINUE TO ACCELERATE.

Competition is intense, and the pace of change will continue to accelerate. It took 55 years for the automobile to spread to one-quarter of the U.S. population. It took 35 years for the telephone to do the same thing. The personal computer accomplished the same level of market penetration in 16 years, the cell phone in 13 years, and the Internet in only seven years.

Every day it seems the gadget we bought yesterday becomes outdated as the new and improved version hits the marketplace. There are good jobs that exist today that we couldn't even dream up four years ago: Podcast manager, blog writer, iPod accessory manufacturer, satellite radio host.

Even the nature of innovation itself is changing: Innovation is becoming multidisciplinary as different technologies converge, creating fields that didn't even exist just a few decades ago. People smarter than I am debate where bioinformatics or nanotechnology will take us, but all agree that they will become major drivers of the U.S. economy.

This new reality, in which cycle times for products and ideas continue to shrink, will require all institutions – public, private, educational and non-profit – to continually adapt and change. Those that don't are at risk. Those that do have the opportunity for reward.

Time is a master with no mercy. As leaders, we are all responsible for adapting and evolving our organizations to meet the challenges that time will bring. This is difficult, because with today's rapid pace of change, change is often necessary before people are ready to embrace it – a particular challenge for governments at all levels.

NEW REALITY #3: THE COMPONENTS OF COMPETITIVENESS CAN NO LONGER BE PURSUED SEPARATELY.

The world becomes a bit more complicated every day, and in order to respond to this increased complexity we must realize that the components of competitiveness can no longer be pursued separately. Just as technologies are converging to create new fields of innovation, so are the components of competitiveness merging to shape economic growth in the 21st century. This reality holds two important lessons at the local and regional levels:

First, the idea of workforce development, community development, economic development and educational programs occurring in separate silos can no longer be tolerated. These interconnected challenges must be tackled in concert.

Second, in our new 21st century global economy, we must acknowledge what we all learned on the school playgrounds of our youth – that we are stronger when we stand together than when we stand alone. Standing together means that we must look beyond traditional political jurisdictions – the city boundary, the county line, even the division between states – and work together. The competitiveness of America's companies is in large part tied to the competitiveness of the economic regions in which they do business.

NEW REALITY #4: PUBLIC-PRIVATE PARTNERSHIPS BECOME MORE CRITICAL EVERY DAY.

While governments at all levels, universities and other non-profit institutions are important players, we must not forget that the private sector is the most important element of any successful economic development strategy. Unless the private sector is ready, willing and able to invest in a community, economic growth simply will not occur, regardless of how much government spends. The private sector should not just have a seat at the table, but should actively be engaged as a full partner in strategies for economic growth. Within the parameters of public accountability, the private sector should be helping to shape the development strategies that will lead to more higher-skill, higher-wage jobs.

NEW REALITY #5: THE ABILITY TO INNOVATE IS THE ONLY SUSTAINABLE COMPETITIVE ADVANTAGE.

At the end of the day, it is the ability to innovate that is the only sustainable competitive advantage in the 21st century. It's not location. It's not even the cost of doing business. Factors

such as these will continually shift in a dynamic worldwide economy. But if a nation can maintain its edge in innovation, it will grow and prosper.

America is clearly the world's leader in innovation. The spirit of discovery is one of our national strengths. From Edison's light bulb to Jarvik's artificial heart to the iPod to the frozen pizza, we have brought more technological breakthroughs to the marketplace than any other nation – and this has made not just America, but the world, safer, healthier, more productive and more prosperous.

The 20th century undoubtedly belonged to the United States. Our leadership in the 20th century was founded on our ability to foster new ideas and bring them to fruition. At the dawn of the 21st century, we must not be complacent in our prominence. More than ever, international competitors are rapidly commercializing technological advances, educating highly skilled workforces and offering world-class research opportunities.

Companies – by necessity – must continually innovate to stay one step ahead of their global competitors, especially as the pace of change in our global marketplace continues to accelerate. If they don't, they will cease to exist. There are no pit stops in this race.

Meanwhile, government and nonprofit leaders at all levels have the same responsibility to adapt their approach to fit the changing times. Government – by design – moves slowly, and that can be a problem in our fast-moving economy. Unless government can offer flexible and innovative programs and tools to economic regions, we risk putting these areas that we are responsible for at a competitive disadvantage in the global marketplace. Innovation is just as important in the public sector as it is in the private sector.

THE FIVE NEW REALITIES OF 21ST CENTURY ECONOMIC DEVELOPMENT

So, these are some of the “new realities” of 21st century economic development:

- We are in a global economy.
- The pace of change will continue to accelerate.
- The components of competitiveness can no longer be pursued separately.
- Partnership with the private sector is critical.
- Innovation is the only sustainable competitive advantage.

We must consider these new realities as we work to answer the “what's next” question in 21st century economic development. If we can innovate as economic development professionals to address the challenges and capitalize on the opportunities presented by these new realities, our regions will succeed in the worldwide marketplace, and our communities will prosper.

I, along with EDA professional employees across America, look forward to working with you to strengthen regional economies. ★ ★ ★