



THE PLAIN DEALER

A quiet crisis

Sunday, April 23, 2006

David T. Morgenthaler

Forty-seven years ago, I moved a company to Cleveland and the city was a world-class manufacturing center. It isn't today; it is moving toward being a regional distribution center with significant manufacturing activities.

That isn't all bad. Such centers can be very nice places to live, with lots of amenities that make life pleasant. But if this city and region want to be world-class, we have to decide what we want to do, what we need to do and how to implement it.

Some people think that the arts -- our orchestra, drama and other culturally enriching things -- will save us. Some think amenities will attract creative people with innovative ideas that will rejuvenate the region. Fifty Starbucks will not save us. Only high-class jobs for creative people will bring them here.

Let's learn a lesson from history. The factors that came together to drive the development of Northeast Ohio were cheap water transportation, ready availability of the raw materials for metal-making and the immigration of some people who knew metal technology. Metal-making capabilities were needed for the production of steam locomotives and, later, gasoline engines. All of the supporting industries -- rubber, glass, machine tools -- arose to take care of the demand created by automobiles.

People moved into the region to fill the jobs all of this created. Retail businesses, banks, lawyers, services, hospitals and entertainment were set up to service these people. The wealth brought into the region founded and supported cultural institutions. Colleges to teach the people were founded. Surrounding farms fed everybody.

In the end, it is the growth of attractive jobs that drives population growth; it is the export of goods and services that brings back money to build a region's wealth. It's as simple as that.

In Northeast Ohio, we lived on metal making and metal fabrication for over 100 years. Now these industries have leveled off or are declining. We have done far too little to replace them.

Growing areas like Austin, Texas, and the Research Triangle of North Carolina put together regional development plans 45 to 50 years ago. Northeast Ohio started one last year. The Silicon Valley started trying to improve its economy in the late 1930s. Northeast Ohio effectively missed the electronics boom, the economic driver of the economy for the last 40 years.

What went wrong? Our poor climate?

I visited Palo Alto (now the heart of Silicon Valley) in 1949. I was a young engineer from Erie, Pa., giving technical lectures to power plant people up and down the West Coast. Palo Alto's housing was cheaper than Cleveland's. Stanford University was turning out bright electrical engineers, but there was a brain drain. Why? They all moved east, to lovely places like Schenectady, Pittsburgh and northern New Jersey, for the good electrical engineering jobs at GE, Westinghouse and RCA. So much for climate.

What changed? Stanford was desperately trying to build local industry from the 1930s on, and got some small firms started. But the real break came in 1957, when Bill Shockley moved from Bell Laboratories in

New Jersey back to Silicon Valley, bringing the semiconductor (which he had co-invented in 1947) with him.

The semiconductor is the story of the second half of the 20th century. It enabled computers, telecommunications and mass television; it facilitated almost every device we use today.

Then the San Francisco area did another good thing. The nature of DNA was discovered at Cambridge University in England in 1953, but in the 1970s at Stanford and the University of California at San Francisco, researchers discovered how to do something useful with this information, and the biotech industry was born.

Industries mature. When they do, innovations that make people want more of their products slow down. If the new and growing industries go elsewhere, a region's growth slows down. As industries age, their costs rise and a region becomes less competitive. Lower-cost regions get the new plants. Now, with modern transportation and telecommunications, most regions have to fight global competition. Like it or not, that is the reality, and it won't go away.

What can our region do to improve things? Make sure the following are accomplished:

A regional organization must be in place charged with preparing a Regional Economic Development Plan. Is [Team] NEO or GCP [Greater Cleveland Partnership] it? Quit competing locally: The outside world is the challenge. Unite.

A technology development plan must be prepared. Nortech is the first step I have seen toward a regional technology plan, and it must be supported. (Jump- Start is the most promising incubator.)

Strengthen education at all levels. We must improve our schools and demand that our children study and behave better. Otherwise Asia will beat us in high technology, as well as low-cost manufacturing.

We must support and strengthen our research universities and demand that they keep improving technology transfer. They cannot afford to think like dreamy ivy-covered colleges out in the woods; they must be economic drivers, like MIT and Stanford.

We must do what we can to hold existing businesses and attract new ones, but we must realize this is limited. Businesses will do what they must do to survive in a competitive global market.

Promote health care services and medical products. This is where we have a relative advantage. Follow up on nanotechnology, MEMS, fuel cells, alternative energy and any other new technologies as they emerge and try to develop a comparative advantage.

Most growth in the future will be technology driven because that is where innovation will come from. The key to industrial growth is innovation - real innovation - not climate and not just amenities. If we can produce really exciting new technology or concepts, venture capital will be there.

A misconception is that venture capital causes innovation. It doesn't. It follows it.

© 2006 The Plain Dealer

© 2006 cleveland.com All Rights Reserved.