

Let's resist the siren song of 'sexy' economic sectors

Gov. Eliot Spitzer has a big task ahead of him: He's campaigned on the idea that the state can do something for the upstate economy. We elect governors whom we believe can fix things, right?

So it was with great interest that many of us read the study by consultancy A.T. Kearney aimed at developing an agenda for the state's economic development arm, Empire State Development Corp. No, this wasn't presented as state policy, but we all assume that Kearney would be shrewd enough not to issue a report that was seriously at odds with administration thinking.

The study made a number of good points. But I was disappointed to see Kearney fall into the familiar trap of focusing much of their attention on "sexy" sectors, groups of firms based on technologies that hardly existed a generation before, sectors that every state and nation is chasing like a Labrador after a ball: "New York's best hope for the future is to focus both statewide and regional investments on emerging sectors—especially nanotechnology, bioscience and cleantech."

As exciting as these technologies are, they do not form the foundation of a vibrant New York State. Kearney notes that these sectors "have the potential to create up to 330,000 new jobs by 2014." That's nice. But companies in the state now employ nearly 9 million. Our "best hope" depends on industries that just *might* add less than 4% to the total (assuming we out-compete everyone else)? An effective economic development policy is one that supports all sectors, not simply companies selling products and services few of us understand.

Jim Collins, author of "Good to Great," found great companies in every sector, some of which are making boring products. The goal of New York's economic development programs should be to help New Yorkers build great companies across the economy. Many companies with pedestrian products are "defined or enabled by technology" which is how Kearney describes the "Innovation Economy." I like the description—yet Kearney fails to apply it consistently. Wal-Mart, reviled as it is in many quarters, is a great company and is clearly part of the Innovation Economy.



BEHIND THE NUMBERS
Kent Gardner

Wal-Mart isn't part of nanotech, biotech or cleantech, but the company relentlessly applies the best technology to the modern bazaar. And what business is more "pedestrian" than package delivery? Yet UPS and FedEx are members of the Innovation Economy by virtue of their innovative application of technology to logistics. Successful companies—and successful economies—are distinguished by flexible and innovative management that applies every tool in the toolkit to adapt to a rapidly changing marketplace.

Not only does Kearney urge New York to focus on nano, bio and clean today, but it also suggests that Empire State Development staff up in its Astrology Department as "one of ESD's greatest challenges will be to monitor the next emerging technology sectors and try to gain prime mover advantage." Unfortunately, the public sector's record at picking winners is poor. Remember Jimmy Carter's Synfuels Corporation? In an eerie reprise, we now have created a significant industry around tax-support incentives for corn-based ethanol. The job of government is to support the physical and institutional infrastructure that enables companies to make the leap from good to great, not to identify and support some sectors at the expense of others.

Read A.T. Kearney's report (at www.atkearney.com). When it gets away from the trendy emphasis on sexy sectors, it makes a number of appropriate comments about the strengths and weaknesses of New York's economic development programs and includes a number of sound recommendations.

What *does* work in economic development? The best programs support sectors wholly devoid of sex appeal. Let's focus on improving the education of our youth—including sound education in new tech-

nology—so they can transform the business firms that will employ the bulk of them. Let's work on cutting the cost of doing business across the board—instead of taxing some firms to provide subsidies to others. Let's support our state's vibrant university sector, public and private, the infrastructure that nurtures technology innovation, and attracts and retains our youth. Bright young people from other states flock to New York's world-class colleges and universities. When they graduate it is up to business to entice these young people into making a career in our state.

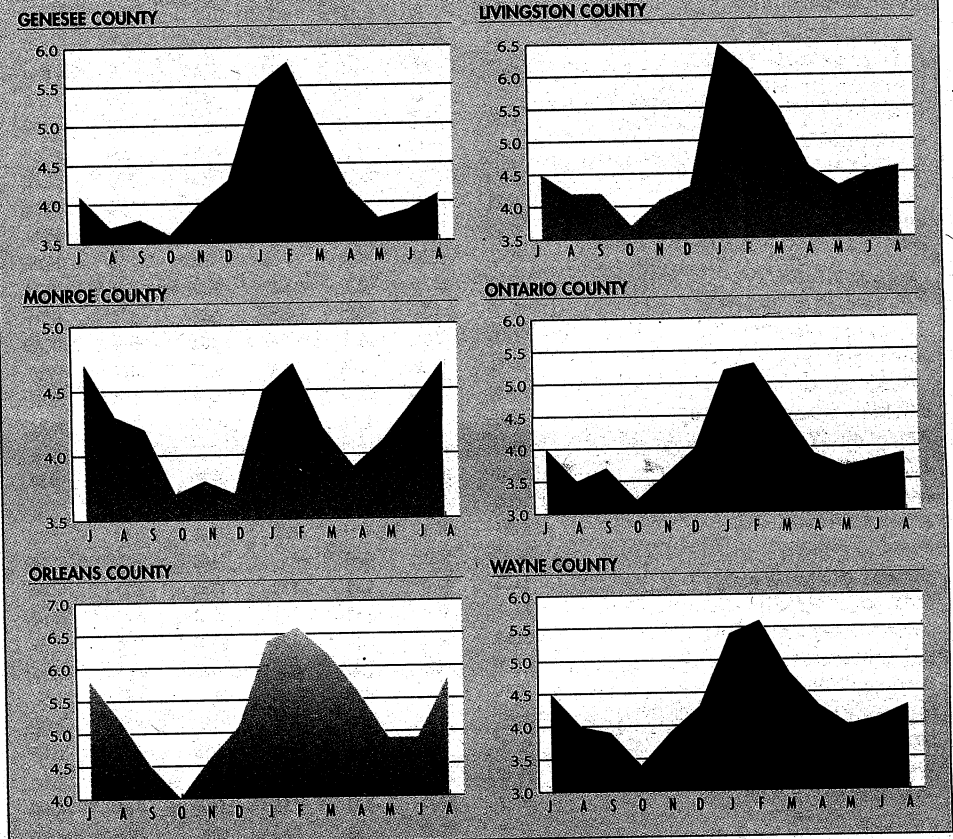
Nor can our infrastructure be ignored, although the process of making key infrastructure decisions should be radically depoliticized. Too often we look to our state elected officials, our senators and assembly members to "bring home the bacon" in support of some community need. Without a

rigorous process of weighing and balancing, the spoils go to the most insistent and articulate who are represented by the most powerful elected officials. And we again tax the many to subsidize the few. Let's improve our "work force intelligence" by connecting the needs of business to the training sector and the effectiveness of work force development institutions.

We have our challenges here in New York, but the negative trends of the recent past needn't continue into the future. Productive people, efficient and responsive government, an effective educational system from pre-K to Ph.D., quality infrastructure—these are all within our reach. Let's focus on the basics and our competitiveness in the sexy sectors will be assured.

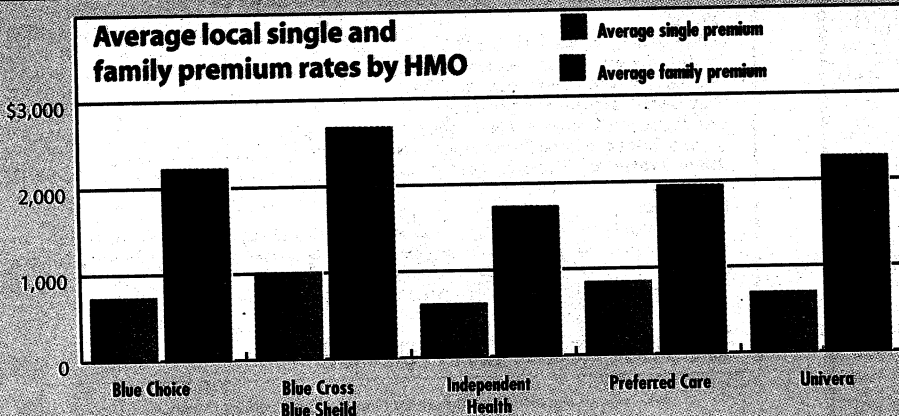
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UNEMPLOYMENT RATES (percentage)



SPOTLIGHT

How the local HMOs stack up



Data source: The New York State Health Accountability Foundation

The New York State Health Accountability Foundation recently released its first New York Regional Health Care Report Card. The report, which contains comparative data on HMOs and hospitals, found that New York's HMOs measure up well compared to national averages. However, ratings varied within and among counties. For example, Blue Choice's customer service received a thumbs-down in all six local counties (Genesee, Livingston, Monroe, Ontario, Orleans and Wayne), but the plan's ability to quickly administer services was generally rated well. Preferred Care received the most favorable reviews out of all area HMOs. The report also listed monthly premium costs for single and family plans. Local residents on average can expect to pay an average \$818.68 a month for a single plan and \$2,180.49 a month for family coverage. Blue Cross Blue Shield's Community Blue plan had the highest local family premiums, averaging \$2,695.02. At \$1,747.03, Independent Health Association's family premiums were the area's lowest. Buffalo-based Independent Health primarily provides local coverage in Genesee and Orleans counties.

—Julia Dickinson

FOREIGN EXCHANGE (per \$1 U.S.)

