It was a lot to take in on Monday morning, but faced with grim economic news from University of Southern Maine economist Charles Colgan, Maine Gov. John Baldacci, Vermont Gov. James Douglas and Nova Scotia Deputy Premier Frank Corbett still managed to remain optimistic.

“The Great Recession is even bigger than we thought it was going to be,” Colgan said Monday morning at The Council of State Governments Eastern Regional Conference 50th Annual Meeting and Regional Policy Forum. “You don’t grow out of economic events like this without going through some profound changes.”

The basic story: The financial crisis in fall 2008 led consumers to panic and in almost record time, consumers went from spending to savings, Colgan said. Malls were deserted and people stopped buying cars. In the next quarter, business investment plummeted—there was a more than 6 percent drop in U.S. gross domestic product.

That said, Northeastern governors and their Eastern Canadian counterparts are looking to the new energy economy to fuel jobs and provide the innovation that a future can be built on.

“Carbon-based technologies have got to move forward, or they’ve got to get out of the way,” said Deputy Premier Frank Corbett of Nova Scotia. “You have to control your energy resources or someone else will control your economy.”

Maine Gov. John Baldacci especially knows this in his oil-dependent state where 86 percent of energy is imported.

“We have an opportunity with offshore wind energy,” Baldacci said.

“There are other sectors that we need to think about away from some of the traditional industries where we can’t compete,” said Vermont Gov. Jim Douglas. Aside from renewable energies, Douglas said the insurance industry holds potential in his home state as well as the higher education and biotech sectors.

While Canada is slowly climbing out of the recession and enjoying a small recovery, the U.S. is not out of the woods yet, Colgan said. The danger now is deflation—a sustained decrease in the level of prices.

Periods of deflation are typically accompanied with meager—if any—growth in GDP, according to Colgan. In simpler terms, deflation could mean the economically grim days of 2010 could extend for the next decade, Colgan said.

—Mikel Chavers
Upcoming Midyear Elections in Doubt
Political Pollster Predicts Perilous Period for Legislators

The Democrats might not do too well in the upcoming November elections. Trouble is, the Republicans aren’t very popular either.

That was the sentiment from John Zogby, a writer and political pollster, who spoke yesterday at The Council of State Governments Eastern Regional Conference’s 50th Annual Meeting and Regional Policy Forum. A growing number of Americans have become deeply dissatisfied with both state and federal government, and are likely to react negatively against legislators in November, he said.

“There’s a growing sense that the country is headed in the wrong direction, and even spinning out of control,” Zogby said.

Zogby, the chairman of Zogby International Research LLC, delivered the keynote luncheon address during the annual meeting. The meeting, titled “Repowering the Northeast: Innovative Jobs, Energy and the Economy,” is partly designed to help legislators and other elected officials find ways to better develop their economies.

Generally, politics have become more divisive, with both Democrats and Republicans engaging in hyper-partisanship, Zogby said.

As a result, voters could turn against legislators from both sides of the aisle in November, he said. Citing a number of polls performed by Zogby’s office, Zogby pointed out that President Barack Obama’s approval and job-performance ratings have fallen among key supporters — African American and Hispanic voters, young people and the “creative class”.

But at the same time, “Republicans have very little appeal beyond their base,” he said.

Zogby pointed out the expectations for state and federal government were too high after the 2008 elections—and a backlash has begun.

Still, that doesn’t mean that any one party is guaranteed to sweep the upcoming midyear elections, he said.

“If the election were held today, the Republicans would win in a blowout,” he said. “But the election is not today.”

—Michael Jackson

A New Era for U.S.-Canada Relations?
Obama Administration Wants to Double Exports, States a Big Part of Goal

The Obama administration wants to double the country’s exports in the next five years. The Canadians think the “Buy American” clause of the federal Recovery Act really shot that goal in the foot. The Americans think it sounded like a good idea at first.

But, as Everett Eissenstat from the Office of the U.S. Trade Representative said, “There are other implications.”

Those implications affected the business relationships that go back decades between the two countries and serve as a foundation for a thriving trade partner.

Most important “it’s not that we trade with each other, it’s that we make stuff together for global markets,” said Don Stephenson, assistant deputy minister of Trade Policy and Negotiations, Department of Foreign Affairs and International Trade in Canada. “We’ve built the world’s biggest trading relationship. It’s a global economy.”

Just shy of 60 percent of everything Canada exports to the U.S. is used to make a final product in the U.S. — those are supply chains that are based on business relationships, Stephenson said.

Just as auto parts can go back and forth across the border several times, “it’s the same in many sectors of the economy,” he said.

Thirty-seven states trade with Canada—a relationship that’s worth billions.

That said, Maryscott Greenwood of McKenna Long & Aldridge LLC, thinks it’s time for a new dialogue when it comes to the U.S.-Canada relationship.

“Despite the opportunity for a reset, I’m a little worried that some of the old hangups have re-emerged.”

One of those hangups is the Buy American clause in the stimulus bill.

“I actually don’t think buy American is a disease, it’s more like a symptom,” Greenwood said. “The disease is a widespread lack of understanding of the importance of Canada in the U.S.”

—Mikel Chavers
What’s Going on in Maine?

Clockwise from right: Massachusetts Sen. Richard Moore (left) and Kentucky Senate President and CSG Chair David L. Williams pose during the annual meeting; placards wait for their speakers before the Monday morning opening session; Vermont Gov. James Douglas receives a plaque from CSG/ERC officials; Maine Rep. James Martin (center) and others listen to John Zogby’s keynote address; annual meeting attendees talk after John Zogby’s speech; CSG/ERC Co-Chair Nancy Smith (left) speaks with Susan Sharon (center), Maine Public Broadcasting Network deputy news director.
Maine Professor Sees Energy’s Future in the Air
Offshore Wind Projects on the Horizon in the New England States

When Professor Habib Dagher peers out at the windy ocean waters off Maine’s coast, he sees the future of energy.

“There is enough deepwater wind within 50 nautical miles of the U.S. coast to power the whole country,” said Dagher, director of AEWC Advanced Structures Composites in Maine. Dagher was the keynote speaker of CSG/ERC Energy and Environment session called “Advancing the Clean Energy Economy in the Northeast” on Monday afternoon.

Studies performed by researchers at the University of Maine have measured winds so strong in waters more than 20 miles from the coast that they could produce power equivalent to the output of 149 nuclear power plants.

Maine has set out to capture 3 percent, or 5 gigawatts, of that wind force with a series of floating turbines situated in deep waters offshore by 2030. The project is led by the University of Maine, which has received $45 million from the U.S. Department of Energy to build the world’s first deepwater wind farm, where turbines are located in water at least 200 feet deep.

As a first step, researchers plan to erect a test floating turbine near Monhegan Island by 2012.

Dagher estimated that eventually, an offshore wind project could attract $20 billion in investment and produce up to 15,000 jobs annually.

Nevertheless there are challenges, like the comparatively higher cost of erecting the massive turbines needed to withstand the powerful offshore winds, versus the lower cost of offshore wind development.

“If you build a 20 megawatt wind farm offshore it’s not going to be cost effective,” said Dagher. “You have to be at least in the 500 to 1,000-megawatt range to pay for the extension cord. So, as a region we need to think strategically about how we can use this resource…to balance the uncertainty of offshore wind.”

The Education File

In the increasingly technological age, young people and children need to develop better math skills, education policy experts said during CSG/ERC’s Education Policy session Monday morning.

Lucille Davy (pictured center), the senior advisor for the James B. Hunt, Jr. Institute for Education Leadership and Policy in North Carolina, told an audience that educators need to create more targeted programs to boost learning for young people.

“If you can give young children access to math, you can impact them,” she said.

The session, called “Race to the Top, Economic Stimulus Funding and National Curriculum Standards,” was designed to review and update federal and national initiatives to improve public education. Chris Whately (pictured right), the director of CSG’s Washington, D.C., office, spoke as well.

The session was moderated by Rep. James Roebuck (left).

That’s why state leaders need to learn more about the health care reform law, she said.

“If you can give young children access to math, you can impact them.”

-LUCILLE DAVY