



Session examines changing economy, options for Midwest

by *Tim Anderson*

The Midwest has long counted on its position in the global economy as a manufacturing hub and “breadbasket to the world.”

But at last month’s Midwestern Legislative Conference Annual Meeting, a senior fellow at The Brookings Institution warned lawmakers that rapid changes in the global economy mean the region can no longer count on its manufacturing and agricultural sectors alone to deliver economic prosperity.

“The new world doesn’t need 15 or 18 manufacturing communities in Michigan anymore, for example,” John Austin told meeting attendees. “It isn’t the way the world works.”

“Human capital and educated people are the source of economic growth today,” he added.

This transition to a knowledge-based economy has been difficult, as evidenced by population losses, lagging income growth and high unemployment figures in different parts of the Midwest.

And just as states in the region have a shared economic history, Austin believes, their futures are interconnected as well.

“Places that have a high share of educated people are attracting more of the same,” he said. “Talent is conglomerating in a few places.”

That talent, in turn, is fostering new economic activity and attracting new businesses.

“Industries could care less about state boundaries, but there is a pattern to how and where they develop,” he said. “We want them to keep conglomerating in this region.”

Austin offered several policy ideas for lawmakers as they consider ways to improve the economic positioning of their state and the entire region.

Creating, keeping workforce

Because more jobs in today’s economy demand highly educated, skilled workers, Austin said, regions that provide industry with this kind of labor force are more likely to grow and prosper.

A strengthening of K-12 standards — and making them common across the Midwest — would send a strong signal to business leaders that policymakers are serious about competing in the new economy, he believes.

But stronger education standards will do little for the region if these students leave upon graduation. The out-migration of young, educated workers has in fact been a major concern in many Midwestern states.

“In this new world, quality of place matters a lot,” Austin said. “People want attractive places to live and work, with plenty of cultural amenities and diversity.”

Many metropolitan areas in this region are hampered by sprawl, segregation and aging populations, all of which are important quality-of-life issues for educated and creative workers.

Austin also said the influx of new immigrants can help a region grow.

“They are a tremendous historic source — in the United States and elsewhere — of new people, new energy, new ideas, new jobs and entrepreneurial activity,” he added.

Today, for example, Chicago and Minneapolis-St. Paul are growing largely because they are “immigrant gateways.” An influx of immigrants also provides the diversity to a region that many young, educated workers desire.

Entrepreneurial ideas

The Midwest employs a large number of high-tech workers, but it lags in entrepreneurial activity and the commercialization of new products. According to Austin, a regional pooling of venture capital funding could help close this gap. He also said tax policies must reflect states’ commitment to entrepreneurship and business growth.

In addition, he said, the Midwest should invest in its existing strengths, and none is more valuable today than its network of higher-education institutions.

“We have the largest concentration of significant research universities in the world,” he added. “In an era when knowledge creation — innovation and new ideas — is the driver of economic growth, that has to be worth a ton.”

More than any other part of the country, Austin believes, the Midwest can and should tap into the economic potential of university-led, research-and-development activities.

“We face public policy choices that can make a difference,” Austin told lawmakers. “We can either be a region that has an opportunity to thrive, to grow in population, to be a center of knowledge and work, and to attract talent and immigrants from around the globe.

“Or we can be a place where everybody’s getting old and young people leave, a place that is not the engine of economic activity in the world like it has been for the last couple of generations.”



John Austin, a senior fellow at The Brookings Institution, delivers a speech at this year’s MLC Annual Meeting on “The Health and Future of the North American Heartland.”

Congratulations to newest BILLD graduates

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- Not pictured:** MLA Pat Atkinson (Saskatchewan), Sen. Julie Bartling (S.D.), Rep. Kevin A. Elsenheimer (Mich.) and Rep. Shantel Krebs (S.D.)

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Planning for 2006 already under way

This year’s graduates of the Bowhay Institute for Legislative Leadership Development (BILLD) are the 11th class of lawmakers to complete the intensive five-day program in Madison, Wis. The annual event helps develop legislators’ leadership skills through a curriculum of professional development and policy analysis seminars.

The Council of State Governments’ Midwestern Office conducts the BILLD program in cooperation with the University of Wisconsin’s Robert M. La Follette School of Public Affairs.

Lawmakers from the Midwest are chosen through a nonpartisan, competitive selection process. Applications for next year’s BILLD program will be available in December. The institute will be held July 7-11. For more information, contact Laura A. Tomaka at 630/810-0210 or ltomaka@csg.org.