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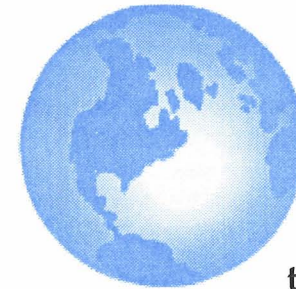
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Compete Globally Thrive Locally



What the Public
Sector Should Do
to Help the Greater
Twin Cities Region Prosper

*An overview of a full report prepared
by the Citizens League*

September, 1996

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What the Public Sector Can Do for the Economic Future of the Greater Twin Cities Region

The Twin Cities metropolitan area should become a world-class city region by capitalizing on its own history and consciously developing its unique niche—a hub for international business services in the Upper Midwest, a center for business headquarters and R&D and a home to several world-class industry clusters. To implement this strategy, the region must concentrate on six critical success factors.

#1 A highly talented, productive and innovative workforce.

The region's future depends on the skill, innovation and industriousness of its work force. Our top priority should be the ongoing training and re-training of adults who are already in the work force. The public education system must do a better job of preparing young people to enter the world of work.

Action steps/Post-secondary education: Get the University of Minnesota back in the ranks of the best research universities in the U.S. Collaborate with industries to develop specialized work force training for key activities and industry clusters. Develop a broad, statewide model for a "virtual university" that will transform the delivery of higher education.

Action steps/K-12 education: Give strong support to Minnesota's graduation rule. Put more emphasis on foreign languages and technical careers.

#2 Strategic infrastructure to support headquarters, R&D, international business services and key industry clusters.

Action steps: Make the University of Minnesota one of the top ten research universities in the nation. Move quickly to develop the information and communications infrastructure the region will need to support its niche. Improve air cargo and international air service. Consider highways and transit a competitiveness issue. Increase rail-truck intermodal terminal capacity.

#3 Improved productivity in services, trade and government.

If Twin Citians want living standards to grow in the next 30 years, firms and workers will have to improve productivity in services, the fastest-growing sector of the economy.

Action steps: Develop productivity measures for service industries and report them to the public. Look for opportunities to introduce or intensify market pressures on service industries that are currently protected from competition.

#4 More saving and wiser investment in the foundations of future prosperity.

Policymakers should ensure that the public sector's capital investments represent true net gain to the region. The Twin Cities economic strategy should include a state effort to adjust tax policies, regulations and programs so as to encourage people and firms to invest for tomorrow.

Action steps for the Legislature: Reallocate state spending priorities to spend less on health care, more on post-secondary education. Dramatically reduce state and local government spending—including tax expenditures—on location incentives, real estate development subsidies and direct subsidies to individual firms. Revise tax policies to encourage investment by individuals and businesses.

Action steps for making better infrastructure investments: Define the "real region" for each of the core regional functions. Develop a Regional Balance Sheet to show the impact of infrastructure spending on the underlying capital stock of the region. Develop a comprehensive Capital Facilities Plan for the Twin Cities metropolitan area indicating how public-sector investment in infrastructure will be coordinated and leveraged with private investment. Use the Capital Facilities Plan as the basis for the state bonding bill.

#5 A healthy civic and social fabric, and a high quality of life.

The greater Twin Cities region should preserve and repair its social and civic fabric, which has been a competitive advantage for the region.

What the Public Sector Can Do (cont.)

Action Steps: Adopt urban growth policies that foster livable communities. Use public subsidies to promote access to opportunity by the least advantaged.

#6 A redesigned safety net for workers to deal with new economic realities.

The region needs a new compact between workers, employers and government, articulating the responsibilities of each in protecting workers and the labor market from the most devastating effects of employment disruption.

Action steps: Make health insurance and pension benefits more portable. Revamp unemployment compensation to acknowledge the new reality of work dislocation. Facilitate the creation of a health insurance purchasing pool for self-employed individuals. Do not, in general, add more new restrictions to employers' ability to adjust their work forces.

Why We're Concerned

The globalization of the economy, technological advancement and increased competition mean that doing "pretty well"—even improving—won't necessarily be enough to secure the future Twin Citians want. There are several troublesome trends:

- ☐ International trade is growing more slowly here than in other major metropolitan regions.
- ☐ The reputation of the University of Minnesota has slipped.
- ☐ Our work force is losing its competitive edge. South Korea, Chile, India and other nations now have well-educated workers.
- ☐ There is no coherent process for evaluating investments in the metropolitan region's infrastructure as a piece of an economic strategy.
- ☐ The "safety nets" to protect workers from job disruption don't fit the new economy.
- ☐ Public policies encourage the tendency to under-invest in the intellectual, financial and physical foundations of prosperity.
- ☐ The "quality of life" in the Twin Cities region has become more like that of other big cities.

Realigning the Public Sector: Some Controversial Examples

Realigning the public sector is more easily said than done. Here are some provocative suggestions for how government and industry might collaborate in new and productive ways to meet the public's interest in educating young people and adults for today's workplaces.

- ☐ Give part of the state's higher education appropriation directly to industry cluster consortia to develop "Industry Cluster Excellence Institutes."
- ☐ Allow public high schools to contract with private employers to deliver basic occupational training to vocational students, and encourage firms to develop secondary-level "charter academies" for occupation and skill-specific vocational curricula.
- ☐ Expand Minnesota's Post-Secondary Enrollment Options Program to allow public secondary students to enroll in advanced vocational training.
- ☐ Ask employers to set the standards for employment competency.
- ☐ Put Minnesota's public secondary education system at risk for performance: Allow employers and higher education providers to charge back to the Minnesota graduate's school district the costs of remediation to achieve basic competency.
- ☐ Provide the information elementary and secondary students and parents need to see how their performance stacks up by global standards.

These ideas are a starting point for discussion about how to align incentives in the educational system to better meet the requirements of today's workplaces. We encourage people to ask: Would these steps create ongoing and self-adjusting links between employers and educational institutions? Would these steps establish consequences for school district performance? Would they prompt employers to invest better in the training of their workforces?

We welcome comments on these ideas and encourage discussion of other ways to realign education and other public services to meet the demands of today's economy.

Get Started in 1997: Create a Metropolitan Economic Strategy Commission

The Governor should propose, and the Legislature should create, an ad hoc Metropolitan Economic Strategy Commission. The Commission should be directed to propose a vision for the region's economic future; outline a public sector strategy, focusing on aligning *existing* public sector responsibilities—including K-12 and post-secondary education, infrastructure investment, revenue-raising—to meet new economic realities; and propose a process for updating, monitoring and reporting the results of the strategy.

The Commission should also propose permanent changes in local, regional and state governance that are needed given the new reality of the greater Twin Cities' metropolitan region—a 24-county, bi-state metropolitan area with increasing inter-state and international ties.

The reality of the global information economy is that companies, individuals and government will have to work harder than they have in recent decades to create the conditions required for prosperity. To secure a prosperous future, the greater Twin Cities must offer the best of some talents, resources and amenities. The region's history of adapting to circumstances gives us cause for hope for a bright future. We urge citizens and policymakers to act now to create that future.

About This Study

The Citizens League report "Compete Globally, Thrive Locally" was produced by a group of 32 concerned citizens co-chaired by John Yngve and David Hunt. The committee met 65 times between August 1994 and May 1996. The committee heard testimony from a variety of experts, conducted round-table discussions with interested groups and Citizens League members, and read research literature about competitiveness issues.

Acknowledgments

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Copies of the report, *Compete Globally, Thrive Locally: What the Public Sector Should Do to Help the Greater Twin Cities Region Prosper*, are available from the Citizens League office (first copy free to Citizens League members; \$10 per copy for non-members).

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