Rural Regional Innovation:
A response to metropolitan-framed placed-based thinking in the United States
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Policy Challenge

• **Three dimensions:**
  – Nature of rurality and how it is measured
  – Perceived/potential contribution that rural places/people make to national well-being
  – Appropriateness/effectiveness of public investments in rural America

• **Sharpened by:**
  – Economic crisis, measures to reduce deficit
  – Obama’s support of place-based strategies
Structure of remarks

• Origins of place-based policy initiatives and implications for rural America
  – Measurement of rurality, public discourse
  – Rural-urban linkages, regional innovation clusters

• Framework for emerging thinking in US around “rural regional innovation”
  – Main components
  – Implications for regional science
Distinguishing ‘urban’ from ‘rural’ based on population size – **dichotomy or continuum**

**Three-dimensional view**
- Settlement size – metropolitan to hamlet
- Concentration – dense to sparse
- Accessibility – central to remote

**Multi-dimensional view**
- GIS to better capture complexity and diversity
Dominant US typologies

• US Census Bureau
  – Urbanized areas – population > 50,000; density > 1,000 persons/sq. mile at core (500 in adjoining territory)
  – Urban clusters – population 2,500 – 49,999

• Office of Management & Budget
  – Metropolitan areas – one or more “urbanized areas” plus outlying counties with economic ties (commuting)
  – Micropolitan area – centered on “urban clusters’ >10,000.
  – Non-core areas – the remainder
Rural Identity

• Kellogg Foundation/Bergstrom
  – Rural utopia
  – Rural dystopia

• Carsey Institute
  – Amenity-rich
  – Declining resource-dependent
  – Chronically poor
  – Amenity/decline

• Stauber
  – No social contract to define respective roles of urban and rural America since 1970s

• Brookings/Katz
  – Mythical benefits of small-town America
Innovation

Peter Drucker

“the purposeful and organized search for changes...a systematic examination of the areas of change that typically offer entrepreneurial activities”
Regional Innovation Systems

• Ways of systematically fostering innovation as part of economic development policy.
• “Cooperative innovation activities between firms and knowledge creating/diffusing organizations...and innovative-supportive culture that enables both firms and systems to evolve over time.” Doloreaux & Parto
Regional Innovation Clusters

• “...geographically close groups of interconnected companies and associated institutions in a particular field, linked by common technologies and skills...” Porter

• Benefits of geographic proximity...promote knowledge sharing and innovation through thick networks of formal and informal relationships across organizations – the social structure of innovation. Mills, Reynolds & Reamer
Clusters as metropolitan paradigm

- **Brookings Institution:**
  - New research shows promise of clusters in times of economic uncertainty
  - Reflect the nature of the *real* economy – focus on true sources of growth
  - **Cluster thinking** a compelling framework for rethinking, reorganizing and reforming economic development at federal, state, regional levels
International Influences

• **OECD Rural Paradigm**
  - An increased focus on natural and cultural amenities
  - Pressure to reform agricultural policy
  - Decentralization and trends in regional policy

• **EU Regional Policy**
  - Two-pronged target: persistent inefficiency and persistent social exclusion
Obama’s Place-based Investments

• ...nation is increasingly a conglomeration of regional economies and ecosystems...promote planning and collaboration across jurisdictional boundaries...rural development programs should be coordinated with broader regional initiatives...
The Challenge

• To develop a legitimate rural component for place-based policies, one that is an intellectual, policy, and programmatic counterpoint to metropolitan-framed regional innovation cluster approaches.
Porter Themes

• Productivity does not depend on what industries a region competes in, but how it competes
• The most important sources of prosperity are created not inherited
• The prosperity of a region depends on the productivity of all its industries
• Innovation is more than just scientific discovery
• There are no low-tech industries, only low-tech firms
Cortright’s Cluster Thinking

- Encouraging an orientation towards *groups* of firms...
- Building on the *unique* strengths of regions...
- Moving *beyond analysis* to ongoing dialogue with firms and other economic actors...
- Recognizing that each cluster demands different strategies and approaches...
- Fostering an environment that helps new clusters emerge...
Rosenfeld’s Rural Clusters

• **Clusters of Distinction**
  – Define and brand a local economy and a particular place

• **Clusters of Competence**
  – High concentration of companies, skills, and support but lacking uniqueness; operating within a diversified economy

• **Clusters of Opportunity**
  – Seeds of clusters with growth potential
While proximity may be a determining factor in metropolitan clusters, it is still possible to capture the benefits of regional clusters where participating firms and sectors are less proximate.

- Rural businesses located within/close to metropolitan centers can plug into cluster networks and value chains.
- More remote businesses are of two main types:
  - Building on community assets, entrepreneurial opportunities, using broadband — building upon community and virtual sector networks.
  - Requiring space rather than proximity — natural resources; linking into regional, national, and global supply chains.
Rural Regional Innovation Proposition #2

• The exploration and capturing of the benefits of rural-urban interdependence is essential for national well-being and prosperity
  – Importance and extent of interdependence not widely recognized or understood; rural areas provide critical consumption goods to metro consumers – food, energy, water, environmental remediation, lower-cost land & labor, unique experiences
  – Urban areas are end-market for rural production, provide specialized services, offer diverse job opportunities, generate resources for rural investment
  – Many rural services – ecosystem services (wetlands, carbon storage, pollinators, aquifers) not appropriately valued
• The inherent challenges of distance and low density, coupled with limitations of capacity and resources in many rural places, call for **effective cross-jurisdictional and cross-sectoral approaches.**

  – **Systems approach** to design and delivery of services and responses for rural people and places – connecting resources and expertise

  – **Regional collaboration** – all levels of government, business and nonprofit organizations find common ground, cross boundaries to solve problems, plan for the future
Rural Regional Innovation

Proposition #4

• The challenges of persistent poverty and limited opportunity associated with many rural places require a focus on the creation and retention of economic, social, and environmental wealth
  – Application of triple bottom line, multiple forms of wealth (capital, assets) – “making wealth stick” – issues of local control and ownership
  – Challenge: developing the analytical, planning, and design tools to capture stocks and flows of multiple forms of wealth in rural regions
  – Challenge: developing the metrics to describe community health and well-being, guide resources, measure impact
The ability of rural places to be resilient in the face of disruptive events requires “forward leaning” attitudes and strategies based on innovation and entrepreneurship.

- Increasing likelihood and frequency of disasters – requires more intelligent and inclusive approaches to planning and preparedness – both coping with impacts and building resiliency to recover and thrive
  - Embrace propositions 1-4
  - Create a positive narrative about rural America over next 20 years
  - Foster innovation and entrepreneurship
The research gap

• **Tools that capture:**
  – “Beneath the radar screen” rural clusters
  – The accumulation and leakages of rural wealth
  – Measures of economic, social, and environmental assets