

## **Highlights from The Porter Rural Report – *Competitiveness in Rural U.S. Regions: Learning and Research Agenda***

The EDA-funded project, *Competitiveness in Rural U.S. Regions: Learning and Research Agenda*, by Professor Michael Porter and the Institute for Strategy and Competitiveness at Harvard Business School, was finalized in late February. The work is a very important step in achieving a contemporary understanding and approach to addressing the economic needs of rural America.

The Porter research is particularly helpful in outlining some clear strategies for rural regions to be successful, detailing the flaws in current understanding of rural economies, and dismissing the myth that every rural region is the same. The research also suggests that America's rural regions have tremendous potential that past efforts have failed to unlock, and that a fresh and collaborative approach – based on new thinking about regional economies – is needed.

Highlighted findings include:

- The capacity for regional innovation is often driven by industry “clusters” – broad networks of companies, suppliers, service firms, academic institutions, and organizations in related industries that, together, bring new products or services to market.
- Clusters significantly enhance the ability of regional economies to build prosperity because they act as incubators for innovation.
- Clusters possess the primary elements needed to transform ideas into prosperity – universities or research centers that churn out new knowledge; companies that transform knowledge into new services or products; suppliers that provide critical components or equipment; and marketing and distribution firms that deliver the product to customers.
- Regions with successful clusters enjoy higher average wages, productivity, rates of business formation, and innovation.

- A specific challenge rural communities face is economic competitiveness. Rural wages in the U.S. are typically about 70 percent of urban wages, and rural communities are losing their most productive workers to cities with more opportunities.
- Professor Porter's research indicates that there is a clear commitment to mobilizing the inherent potential of rural regions. What is currently lacking is an overall framework that puts individual ideas into context and provides policy makers with actionable guidance on how to develop and implement new strategies.
- There is considerable consensus on many issues. For instance, there is agreement around the performance gap and the challenges confronting rural regions; agreement on the lack of coordination within the institutional network supporting rural development, and among policy makers, thought leaders, and practitioners; a growing understanding that the central issue is competitiveness; and widespread agreement on the importance of cluster thinking in rural economic development.
- Overall, many participants in the research debate lament the disconnect between what is advocated and current U.S. rural economic development policy. Policy does not seem to drive rural development, but responds to special interests; many sensible ideas proposed by experts are not acted upon. Without a strong conceptual framework, it is not surprising that economic development efforts for rural regions have been particularly vulnerable to political pork battles between small but well-organized interest groups, frequent institutional redesigns without lasting effect, and the re-invention of old policies under new names.

This research certainly provides the content for a spirited and constructive dialogue among rural thought leaders, policy makers, business leaders, and local, state, and federal officials. EDA sees a significant opportunity to rejuvenate and redirect the field over the coming decade, and believes that this report will be a catalyst for change. The report has been shared with Rural Development at USDA and there is significant interest in partnering with EDA and other relevant agencies to address the many ongoing concerns of rural communities.