

CORNERSTONE

SUMMARY

Foundations for Economic Leadership

CORNERSTONE

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SUMMARY

The Vision: A Leadership Economy for the 1990s

In the 1990s and beyond, Florida can be a leadership economy that helps set the pace for the rest of the nation. Already a leader in population and employment growth, Florida can build a world-competitive economy based on a dynamic mix of productive manufacturing and service industries that create a rising standard of living for all Florida residents. Moving well beyond regional leadership, Florida can be a leader in national and international arenas in the next decade.

However, to be a leadership economy Florida must learn to compete nationally and internationally on the basis of higher productivity by adding value to products and services, not simply on the basis of low cost. Florida traditionally has seen low costs as its competitive advantage, but in the new global economy, economic advantage comes from higher productivity and added value.

Achieving this vision of Florida's future requires a commitment by the state's leaders to build stronger economic foundations in high-quality human resources, accessible technology, capital availability, and forward-looking physical infrastructure while maintaining a high quality of life, a competitive tax and regulatory environment, and strong economic development programs. These are the new elements of a competitive business climate that are required to add value to Florida's products and services and generate increasing real income and employment for Florida's people. These critical foundations are required for the growth of dynamic industrial clusters in Florida ranging from biomedical, information and space industries to business services, tourism and experience industries, and value-added agriculture.

In short, Florida's potential is great, but its economic future is not guaranteed. In fact, Florida faces a number of major challenges. Florida's current industrial structure and economic foundations are not yet adequate for meeting the competitive future ahead and for generating high real incomes for the state's workers. Significant reductions in defense spending could threaten Florida's technology industries, and Florida remains vulnerable to major shifts in retirement patterns or tourism. Growing high-productivity industries in the future will require correcting competitive weaknesses in Florida's current human resource, technology, capital, and transportation foundations.

Cornerstone provides new strategic directions for building those strong foundations to support the high-quality, value-added industries that are essential for a leadership economy. Florida leaders with courage and vision need to make the choices today that will make Florida America's next great state.

The Challenge: Competing in the Global Economy

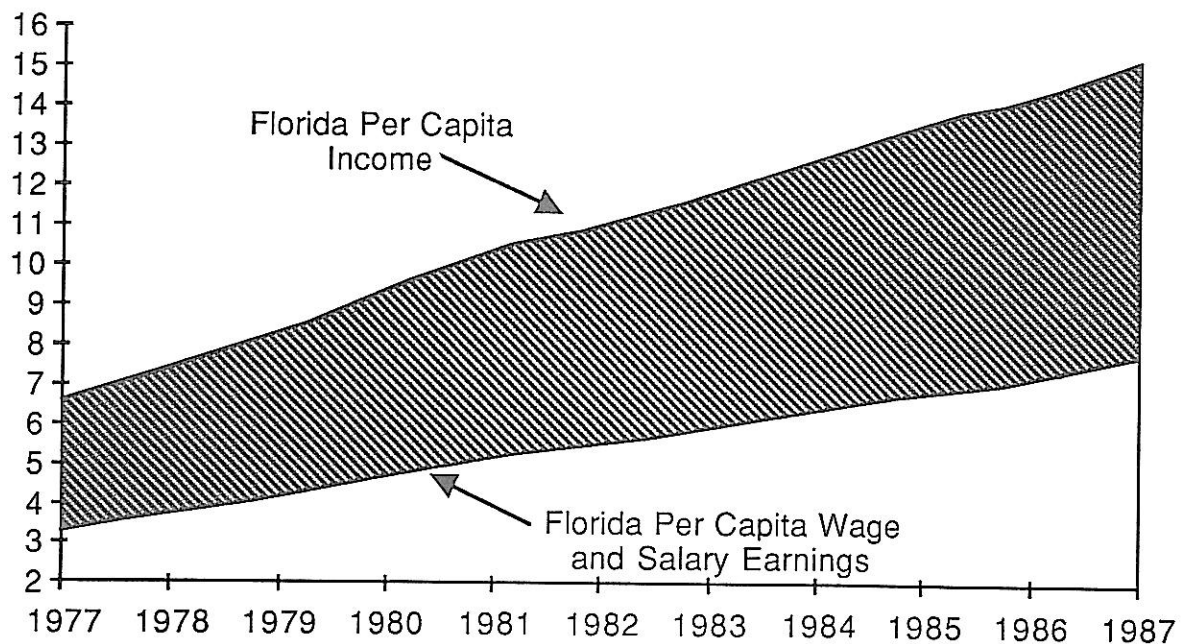
In the past decade, Florida has done extremely well on most traditional measures of economic performance. Florida ranked second in the nation in net increase in manufacturing employment, third in net increase in total employment, and third in absolute growth in gross state product (after California and Texas). In addition to this fast overall growth, Florida's economic structure has been changing as the state has diversified and achieved prominence in a number of fast-growing business service and technology industries.

Although Florida can be proud of its success over the past decade, the economic environment around it has been changing dramatically as a result of new competitive demands created by a global economy. Whereas Florida was once able to compete effectively with other states by attracting domestic industry through its relatively low-cost environment, today the state faces both domestic and international competitors that can offer even lower costs to labor-intensive industries. As a result, the ingredients for economic health today have shifted from simply providing a low-cost environment to providing the necessary conditions for growing higher-value-added industries.

A striking consequence of Florida's reliance predominantly on attracting industry, retirees, and tourists for its economic growth, rather than also focusing on the human, technology, and capital resource foundations needed to grow value-added industries, has been that per capita wage and salary income for Florida workers is well below the national average. The fact that the real standard of living of Florida's workers has been growing more slowly than the national average has been masked by Florida's high dependence on passive income (e.g., transfer payments, dividends, interest) (see Figure 1).

Florida's Response to the Changing Economy

Florida's economy has undergone unprecedented changes in the span of only a few decades. While Florida has been experiencing rapid population growth, its economic structure has changed over the past two decades from a resource-based economy to a more diversified economy driven by clusters of growing service and manufacturing industries. Florida is now ready to take the next steps in its economic development.



Thousands of dollars

Source: DRI Data Resources.

**FIGURE 1 PER CAPITA INCOME AND WAGE AND
SALARY EARNINGS, 1977-1987: FLORIDA**

ECONOMIC HEALTH, GROWTH, AND REAL INCOME

Economic health results from a competitive economy that generates rising real incomes and increasing employment. A healthy economy creates opportunities for people and businesses while promoting a rising standard of living.

A *growing economy* is essential for economic health, to ensure that incomes and employment increase to meet the needs of a growing population. *Population growth* is not the same as economic growth. In fact, if population grows faster than the economy, unemployment will rise and standard of living will decline. *Employment growth* is also not the same as economic growth. It is possible to have both increasing employment and declining real incomes, if the economy is not growing fast enough.

Real income is personal income after inflation. Rising real per capita income, not employment or population growth, is a true measure of standard of living.

Before the 1970s, Florida's growth was driven largely by external forces of migration, retirement, and tourism. The economic structure of that period has been characterized as concentrated in agriculture, construction, and tourism. The warm climate and low-cost environment attracted retirees and tourists who created demand for services and construction. Even at that time, Florida was still largely a resource-based economy with a growing service component. The most appropriate economic development strategy was to attract people (see Table 1).

The decade of the 1970s was an important transition period for Florida. Two events appear pivotal. First, the energy crisis and the recession of 1974 hit Florida harder than any other state, creating 11% unemployment—the highest in the nation. Tourism was dealt a major blow by the skyrocketing oil prices and gasoline shortages. At the same time, the pace of domestic competition in economic development among states quickened with increasingly aggressive industry recruitment strategies as the national economy softened. The state economic development study commissioned by the Florida Chamber and Council of 100 in 1978 helped define new strategies for economic development that enhanced the tax and regulatory climate and created incentives for attracting industries in order to diversify the economy.

Over the past decade, Florida has succeeded in diversifying its economy by increasing its manufacturing base and expanding services. During this time, major changes were occurring in the external environment, including increasing international competition and major increases in defense spending. The new realities of global competition have fundamentally changed the nature of economic development. In the more open economy where trade has doubled as a percentage of gross national product, over 70% of goods and services now face international competition.

Table 1

EVOLUTION OF THE FLORIDA ECONOMY

	Before 1970	1970-1980s	1980-1990s
Changing environment	<ul style="list-style-type: none"> • Migration • Retirement 	<ul style="list-style-type: none"> • Domestic competition • Energy crisis 	<ul style="list-style-type: none"> • International competition • Defense spending
Economic structure	<ul style="list-style-type: none"> • Agriculture • Construction • Tourism 	<ul style="list-style-type: none"> • Diversified manufacturing • Services • Tourism • Agriculture 	<ul style="list-style-type: none"> • Information industries • Biomedical • Space/defense • Tourism and experience industries • Advanced services • Agriculture • Food processing
Economic foundations	<ul style="list-style-type: none"> • Warm climate • Low cost 	<ul style="list-style-type: none"> • Positive business climate (tax and regulatory environment) • Low-cost land and labor 	<ul style="list-style-type: none"> • Quality work force • Accessible technology • Capital availability • Competitive tax and regulatory environment • Forward-looking infrastructure
Economic strategy	<ul style="list-style-type: none"> • Attract people 	<ul style="list-style-type: none"> • Attract industry • Diversify the economy 	<ul style="list-style-type: none"> • Attract, retain, and grow value-added industry • Promote new enterprise

Foreign nations with much lower standards of living can offer lower-cost environments than Florida or any other state. Japan, the newly industrializing countries, and Europe all compete with U.S. firms in high-value-added products. Even with the fast growth of manufacturing in the past decade, Florida is under represented in higher-value-added manufacturing and traded services. Today, over 50% of Florida's workers are still employed in low-paying service and retail trade sectors that serve Florida's growing population.

In the new environment, a low-cost land and labor strategy is simply no longer sufficient. To compete this way means ultimately to sacrifice one's standard of living. The only real answer in the long run is to increase productivity and move to higher-value-added products and services based on higher skills and the application of technologies.

VALUE ADDED, PRODUCTIVITY, AND COMPETITIVENESS

Value added is the difference between value of output and the cost of production. Value can be added to products or services by either increasing the value of output or reducing input costs.

High-value-added industries have a high ratio of output price to input costs. Examples range from computers and communications equipment and information and business services to specialty agricultural products and processed food products. High-value-added industries compete on the basis of quality and productivity (high output per unit of input), rather than simply cost.

Competitiveness, as defined by the President's Commission on Industrial Competitiveness, is the "ability to compete in world markets and maintain a high standard of living." Productivity plays a central role in competitiveness because without productivity growth it would be necessary to compete on the basis of lower wages and hence a lower standard of living. *Productivity*, a measure of output per unit of input (labor, capital, energy), is a function of technology, human resources, and capital investment. Recent research has shown that well over half of productivity growth nationally is a result of investing in technology and human resources. In the global economy, competitive advantage is increased by adding value to products and services through investments in technology and human resources that result in both higher productivity and a higher standard of living.

In response to this new competitive environment, Florida's economic structure must continue to shift toward higher-value-added service and manufacturing industries. These industries require new economic foundations of a high-quality workforce, accessible technology, and available risk capital. Florida's new economic strategy needs to encourage this change by focusing in a more balanced way on attracting, retaining, and growing these value-added industries and encouraging new enterprise development within value-added industrial clusters. This strategy would both increase Florida's competitiveness and result in a higher

standard of living for all Floridians. Economic projections based on the growth of high-value-added industry in Florida show real increases in both personal income and employment over the next decade, above what could be expected from the continuation of present trends.

Changing Economic Structure: Florida's Industrial Clusters

Florida's industries have been transforming in response to a number of key external forces during the 1980s:

- *Global competition* has forced Florida's agriculture, manufacturing, and service industries to enhance productivity and develop higher-value-added products and services.
- *New technologies* have been creating new opportunities in Florida's communications and computer, biomedical and agriculture, and space and defense industries.
- *Defense spending*, which stimulated the growth of Florida's aerospace and electronics industries in the early 1980s, now presents adjustment challenges as spending slows down.
- *Demographic changes*, especially the growth of elderly and ethnic populations, have been creating new demands for consumer products, real estate, retail trade, health care, and other consumer services.

In response to these fundamental external forces, a number of industrial clusters have been evolving. These clusters of interrelated industries tend to grow together through a complex set of buyer and supplier linkages. The resulting "agglomerations" create comparative advantage. In Florida, there are several clusters in different stages of development. The following are some of the clusters that have been changing rapidly in response to the external forces:

- **Emerging clusters**

Information. Computers, communications, electronics, and software industries in Florida have grown very fast over the past decade and have greater potential as they begin to reach a "critical mass." However, because of increasing international competition, industries in this cluster must constantly move toward higher-value-added products and services to grow in the future.

Biomedical. Medical instruments and supplies are small but rapidly growing industries in Florida, which are driven by new technology and consumer trends, especially aging. Florida now ranks fourth nationally in this area.

Space and defense. Aircraft, missiles and space, and instruments have generated high-value-added growth and employment for Florida. While the defense slowdown presents a threat, new commercial space initiatives provide an opportunity for Florida to build a new industry based on its strong infrastructure.

- **Expanding clusters**

Tourism and experience. Tourism, amusements, recreation, and lodging are large employers that must increasingly compete nationally and internationally on the basis of providing high-quality experiences.

Business and financial services. large employers that grow by serving other industries in the state, these industries face increasing competition and succeed on the basis of high- quality products and service.

Printing and publishing. A large, growing industry that also grows by serving other industries, printing and publishing can take advantage of technological innovation to become a dynamic industry in the future.

- **Transforming clusters**

Agriculture and food processing. Already a leading agricultural producer, Florida can also become a leader in food processing and specialty crops and thus earn higher value added from its agriculture output.

Apparel and textiles. Hit hard by foreign competition, this cluster is making a comeback on the basis of productivity gains and a lower dollar. A focus on design, quick-response methods, and joint production with the Caribbean Basin nations can provide competitive advantage for Florida.

Lumber, paper, wood products, and furniture. Another set of industries hurt by foreign competition in the 1980s, this cluster is making a comeback with a lower dollar and a Canadian export levy on lumber. Opportunities exist to take advantage of Florida's lumber resources in both paper and wood products and to increase the manufacture of high-value added office furniture for growing Florida markets.

These industry clusters today represent over 75% of total manufacturing value added and over 60% of the state's direct exports. Given market trends, these industrial clusters have potential for significant value-added growth over the next decade if critical elements of economic foundations are provided. But each industry cluster has specific needs for each element of the economic foundations (see Table 2).

Cornerstones for the Future: Florida's Economic Foundations

Florida must build stronger economic foundations to support high-productivity economic growth and generate a higher standard of living in the new global economy.

In particular, skilled human resources and accessible technology are critically important to Florida's emerging and expanding industries. These are the two areas, however, where Florida has its greatest current competitive weaknesses. Florida also has weaknesses in capital availability and physical infrastructure. On the other hand, Florida's tax and regulatory climate, quality of life, and economic development programs provide relative strengths (see Figure 2).

Table 2

IMPORTANCE OF ECONOMIC FOUNDATIONS FOR FLORIDA INDUSTRIES

		Skilled and Adaptable Human Resources	Accessible Technology	Capital Availability	Physical Infrastructure	Tax and Regulatory Climate	Quality of Life	Economic Development Programs
INDUSTRIES	Information	Qualified engineers and technical workers, technical training.	Stronger linkages with Florida's universities.	Start-up capital for new firms.	Telecommunications and air transportation.	Stable tax and regulatory environment.	Critical for attracting and retaining individuals and firms.	Attract and grow value-added cluster.
	Biomedical	Skilled production workers, technical training.	University research excellence, links with industry.	Mezzanine and expansion finance for young expanding firms.	Air transportation.	Stable tax and regulatory environment.	Attracting skilled workers.	Home-grown assistance along with attracting national and international firms.
	Space/Defense	Math and science skills and training for careers in space. K-12 and higher education.	Applied research in strategic technologies critical to space.	Start-up capital for new space ventures.	Space launch infrastructure and air transportation facilities.	Low-cost insurance for commercial space activities.	Important for attracting workers and firms.	State programs to promote space.
	Tourism and Experience	Qualified service workers.	Office and financial automated technology.	Start-up and expansion capital for small and medium firms.	Air transportation, especially foreign travel.	Stable tax and regulatory environment, including growth management.	Critical for attracting people.	Marketing and promotion.

Table 2

**IMPORTANCE OF ECONOMIC FOUNDATIONS
FOR FLORIDA INDUSTRIES (concluded)**

INDUSTRIES							
	Skilled and Adaptable Human Resources	Accessible Technology	Capital Availability	Physical Infrastructure	Tax and Regulatory Climate	Quality of Life	Economic Development Programs
Business and Financial Services	Skilled entry level and professional workers.	Office and finance technologies.	Loan packaging for small business firms without collateral.	Telecommunications and air transportation.	Competition, financial regulations, and interstate banking loans.	Critical attractions for professional workers.	Promote import substitution and home-grown assistance.
Printing and Publishing	Technical workers.	"Off-the-shelf" automation and computer technologies.	Capital for training in new technology.	Highway transportation for supplies and shipment.	Concerns about taxes on printing services.	Attracting national publishing company.	Home-grown assistance for printing. Attract national publishing firms.
Apparel and Textiles	Sewing machine operators.	"Off-the-shelf" automation and computer technologies.	Capital for productivity-enhancing technologies.	Highways and air transportation.	Stable tax and regulatory environment.	Attract fashion designers.	Marketing of Florida products. Technical assistance.
Wood and Furniture	Skilled workers that can operate sophisticated equipment.	Productivity-enhancing technologies.	Start-up capital for new furniture firms.	Highway system.	Environment/regulation.	Not a factor.	Marketing of Florida products. Technical assistance.
Agriculture and Food Processing	Business and marketing skills.	New product and processing technologies.	Seed capital for innovative products.	Highways and water.	Regulatory climate to support entrepreneurship.	Not a factor.	Marketing of Florida products. Technical assistance.

Note: Bold type indicates major priorities.

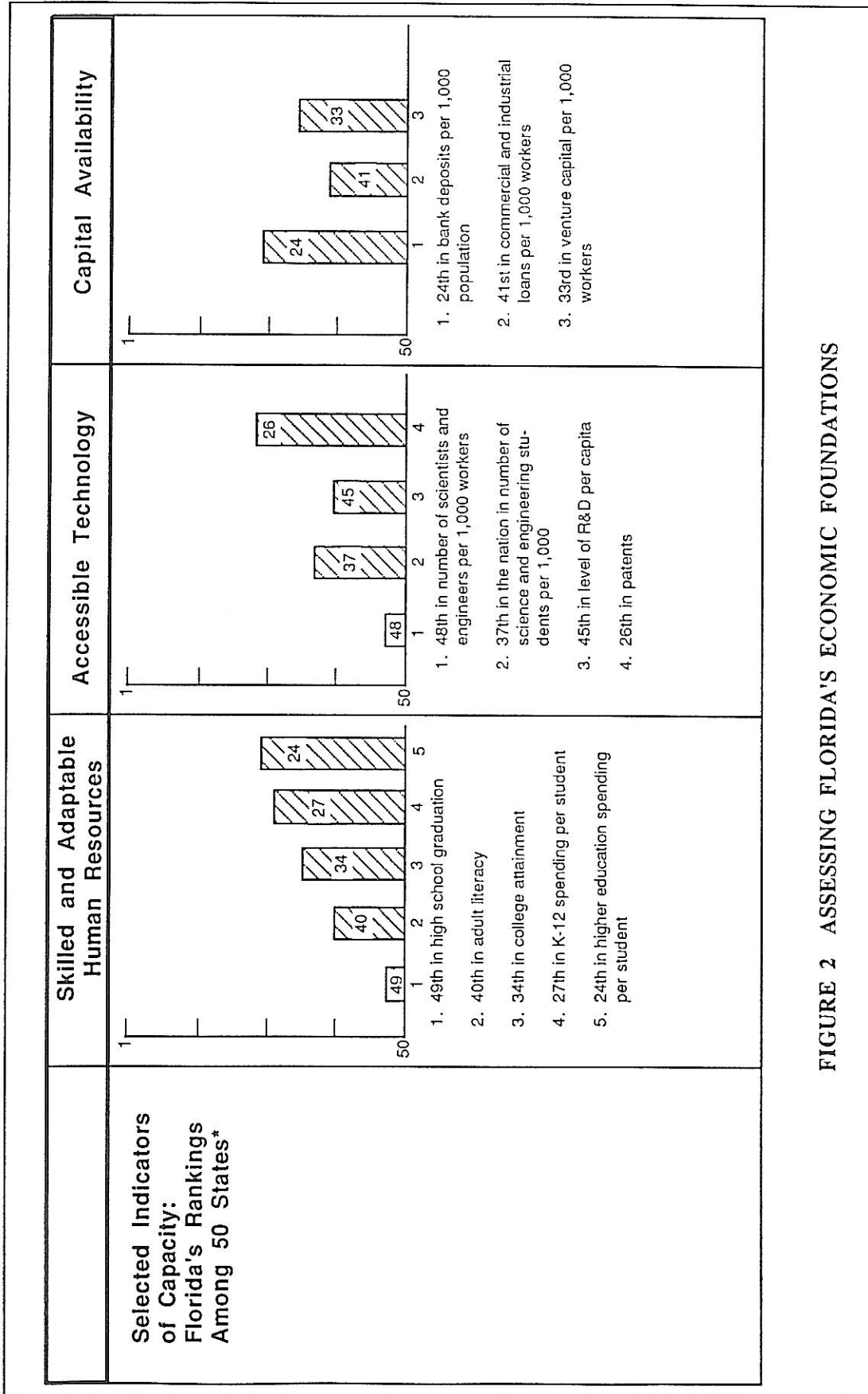


FIGURE 2 ASSESSING FLORIDA'S ECONOMIC FOUNDATIONS

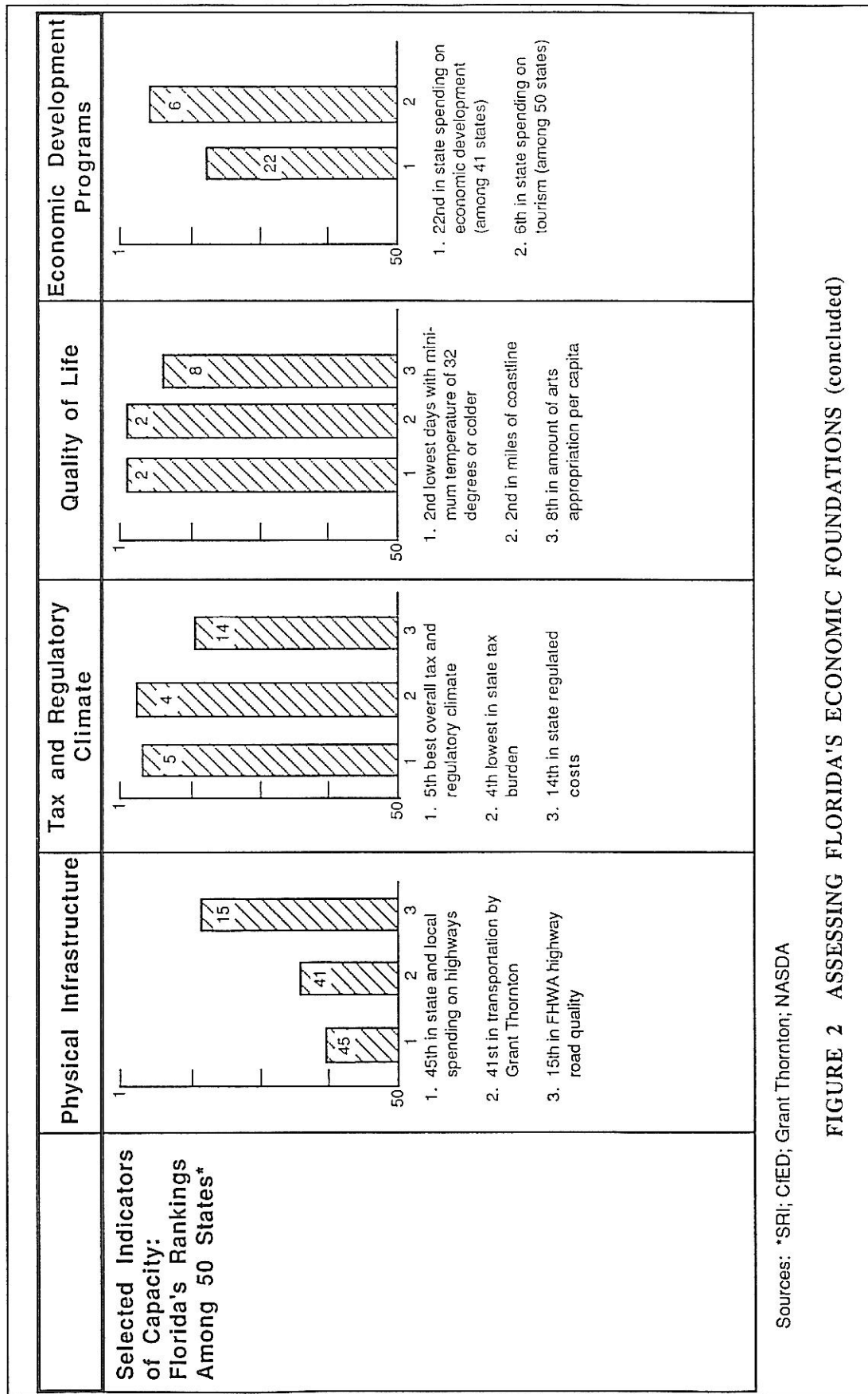


FIGURE 2 ASSESSING FLORIDA'S ECONOMIC FOUNDATIONS (concluded)

- *Weaknesses in skilled human resources.* Florida needs a skilled and flexible workforce to meet competitive challenges. A high-quality workforce is especially important for attracting and growing high-value-added industries. Currently, it ranks low in high school graduation rates and college attainment levels compared with both the nation and competitor states. Critical needs for industry include preparation of job graduates (reducing the dropout rate), enhancing technical training, and increasing math, science, and engineering education.
- *Lack of accessible technology.* Florida industry needs access to new technologies to be competitive. Current levels of university R&D per capita and number of scientists and engineers per 1,000 workers rank well below the national average. Critical needs include both strengthening areas of technology excellence at the state's universities and developing stronger university-industry cooperation in technology transfer.
- *Capital not invested in Florida industry.* Emerging and growing firms need access to seed and expansion capital. Although Florida ranks in the top half of states in bank deposits per 1,000 population and in loan-to-equity ratio, it ranks very low in the percentage of commercial loans among total bank loans. Florida also ranks low in venture capital. Florida has significant capital assets, but they are not being invested actively in the state to create new wealth in high-growth industries.
- *Gaps in physical infrastructure.* Highways, air transportation, and port facilities have become important for the growth of high-productivity industries. Florida ranks very low relative to the nation on state and local spending on highways. Critical needs include stable funding sources for infrastructure investment.
- *Positive but increasingly unstable tax and regulatory environment.* Florida's overall tax and regulatory climate is rated among the best in the nation. State tax burden per capita ranks 41st in the nation. However, Florida's changing tax structure, growth management regulations, and workers' compensation and liability laws are cited by business as creating uncertainty. Critical needs include establishing a stable tax and regulatory environment that is competitive with environments in the states that Florida competes against.
- *Excellent quality of life.* Florida's weather, recreation, and life-style are rated as strong attractions. The major negative factor affecting the quality of life is crime. Critical needs are highlighting Florida's recreational advantages, adding more cultural amenities, and addressing the concerns about crime.
- *Established economic development programs.* Florida has well-established, effective programs in industry attraction, business assistance, international trade, and investment and tourism. Critical needs are to establish a balance among attraction, retention, and homegrown support activities and to link international trade and tourism to present a unified image of Florida overseas.

New Strategic Directions for Florida's Economic Future




To achieve a competitive economic future for Florida, new strategic directions are required that focus on building Florida's critical economic foundations, with special priority given to building strong human resource and technology foundations (see Table 3).

Table 3

BUILDING FLORIDA'S FUTURE

Foundation	Overall Grade*	Strategies	Timetable	Expected Outcomes
Competitive Tax and Regulatory Environment	B+ ▼ • Low tax burden • Increasing regulatory burden	<ul style="list-style-type: none"> • Reform tax structure • Link regulatory reforms to economic competitiveness • Reform workers' compensation and civil liability 	<ul style="list-style-type: none"> • Link to tax study in 1990 • Create a competitive regulatory review process in 1990 • Legislative changes in 1989 	<ul style="list-style-type: none"> • Procompetitive tax structure • Regulations that are responsive to realities of economic competition • Reduce uncertainty and cost
Skilled Human Resources	C ▲ • Low graduation rates • Shortage of technical skills	<ul style="list-style-type: none"> • Reduce dropouts • Establish an effective technical education and training system • Include business needs in higher education planning • Increase math, science, and engineering education 	<ul style="list-style-type: none"> • Establish dropout programs in 1989 • Major review in 1989 and new initiative in 1990 • Establish annual review process • Ongoing 	<ul style="list-style-type: none"> • Lower dropouts • Higher math/science test scores • Increased supply of technical workers • Increased supply of engineers
Accessible Technology	C- ▼ • Low R&D spending • Lack of technology transfer	<ul style="list-style-type: none"> • Research excellence in universities • Partnerships for technology application 	<ul style="list-style-type: none"> • Strategic university R&D plans in 1990 • Major feasibility study in 1989 and new technology initiatives in 1990 	<ul style="list-style-type: none"> • Increased technology discovery • Increased industry-university technology transfer
Capital Availability	B- ▲ • Large deposits • Low seed/venture capital • Low commercial lending	<ul style="list-style-type: none"> • Increase seed capital by strengthening networks supporting new enterprise and creating a state strategic fund • Promote expansion financing by creating incentives for increased commercial lending and venture capital 	<ul style="list-style-type: none"> • Legislation in 1989, start-up in 1990 • Research on why banks favor real estate over commercial lending in 1989. Create new incentive programs in 1990 	<ul style="list-style-type: none"> • Increase seed capital • Increase expansion financing • Expanded new enterprise

Table 3
BUILDING FLORIDA'S FUTURE (concluded)

Foundation	Overall Grade*	Strategies	Timetable	Expected Outcomes
Physical Infrastructure	C+  • Good air travel • Deteriorating highways	<ul style="list-style-type: none"> • Provide stable funding base for transportation • Continue expansion of air transportation • Establish state policies on seaports 	<ul style="list-style-type: none"> • Fund the state Transportation Trust Fund • Establish overall air transportation policy in 1990 • Study of seaport policy in 1990 	<ul style="list-style-type: none"> • Improve travel mobility • Expand national and international access • Expand international trade
Quality of Life	A  • Outdoor lifestyle • Crime concerns	<ul style="list-style-type: none"> • Actively market recreational and life-style benefits • Address crime as an economic development issue 	<ul style="list-style-type: none"> • Build into domestic and international marketing efforts in 1989 • Link to state and local crime efforts in 1989 	<ul style="list-style-type: none"> • Attract and retain more value-added industry and skilled workers • Reduce crime as an issue in economic development
Economic Development	A-  • Strong programs • Lack of balance	<ul style="list-style-type: none"> • Balance attraction, retention, and home-grown strategies focused on value-added industry • Create a unified marketing image in all state marketing programs 	<ul style="list-style-type: none"> • Create a balanced strategy in 1989 • Link international trade, investment, tourism strategies in 1989 	<ul style="list-style-type: none"> • Attract and grow value-added clusters • Increased international trade, investment, and tourism

*Arrows indicate current direction of change.

Actions are required at three levels: strategic directions, economic foundations, and cross-cutting policies and programs.

Strategic Directions

From a strategic perspective, steps must be taken to develop (1) a consensus on the need for a competitive business climate based on both quality and cost considerations and (2) agreement on the need to promote the growth of value-added industries.

Create a Competitive Business Climate

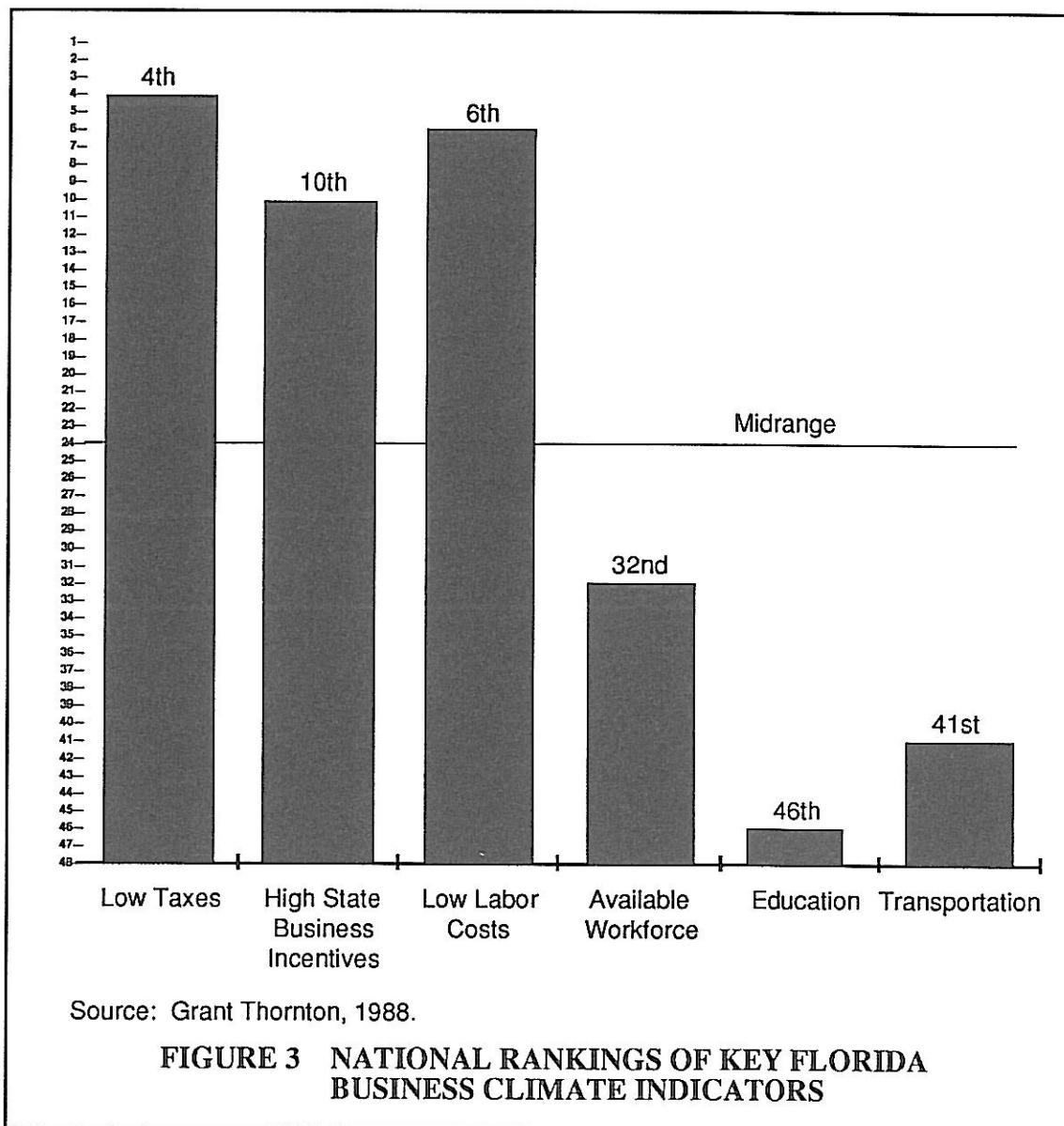
At the most fundamental policy level, Florida's public and private leaders must commit themselves to creating a competitive business climate that is appropriate for the new challenges of the 1990s and beyond. This requires a basic redefinition of the traditional meaning of a good business climate from simply low cost (land, labor, and taxes) to one that also supports the growth of high-value-added industries by providing such critical factors as skilled labor, technology, transportation, and quality of life. Today, Florida's cost advantages on taxes and wages are increasingly being offset by disadvantages in such areas as quality of education and transportation (see Figure 3).

- Create an *overall business climate* (tax and regulatory, human resources, technology, transportation, quality of life) that is competitive with Florida's national competitors (not just the Southeast).
- Address critical *negative* factors—such as instability in the tax system and uncertainty in growth management regulations, workers' compensation, and civil liability, as well as rising crime rate—that affect competitiveness.
- Improve the key *positive* factors—such as improved education, accessible technology, transportation, and quality of life—that are essential for growth of high-value-added industries.

These changes will support higher productivity growth by both adding value and reducing costs and thus will make Florida a better environment for the growth of high-productivity industry.

Support Growth of Value added Industries

By making the general improvements in the business climate outlined above, specific opportunities will emerge to encourage the growth of high-value industries in Florida.



Building the economic foundations that are needed to support the growth of high-value-added industries requires new ways of thinking about economic development. It involves a combination of attracting national firms, retaining and expanding firms already within the state, and growing new enterprises in areas that constitute the economy of the future. Such approaches involve focusing on both manufacturing and service firms, as well as on their linkages within dynamic industrial clusters, in contrast to traditional target industry approaches. The critical element involves building key elements of the economic foundations in order to create a supporting environment based on a competitive business climate. Key steps are:

- Promote the growth of value-added industrial clusters through attraction, retention, and home-grown strategies in an environment for innovation and adaptation based on strong economic foundations.
- Encourage new enterprise development within expanding clusters through import substitution, buyer-supplier linkages, and spin-offs and commercialization from larger firms and universities.

Economic Foundations

Action is needed to address weaknesses in the economic foundation areas that act as a competitive disadvantage for Florida. Actions that should be given highest priority are in bold italic print below.

Promote a Competitive Tax and Regulatory Environment

Although Florida's overall tax burden is among the lowest in the nation, its tax structure relies more heavily on taxes that have direct impacts on business, and recent increases in a variety of state taxes have created unpredictability for business. Furthermore, businesses increasingly recognize that the state does not have the fiscal basis to pay for the economic infrastructure required for the future.

Business is also concerned that Florida's increasingly complex growth and environmental management regulations will create uncertainty due to delays in the permitting process. Furthermore, the state's workers' compensation and civil liability system create unnecessary cost and uncertainty for business.

- *Review Florida's tax structure from a competitiveness standpoint.*
- Link regulatory review to economic competitiveness.
- Reform workers' compensation and civil liability laws.

Increase Skilled Human Resources

Critical issues involve Florida's high dropout rate; vocational and technical education; the need to expand math, science, and engineering education; and the need to include business perspectives more fully in higher education planning.

- Expand statewide programs to reduce high school dropout rates.
- *Initiate a major independent review of the state's vocational education and technical training system with the goal of making it more responsive to industry needs.*
- Include business needs in higher education planning.
- Promote workable programs to increase the math and science skills of Florida's high school and community college graduates and increase university enrollments and graduates in math, science, and engineering.

Make Technology Accessible

Florida has low levels of R&D spending and inadequate technology transfer to industry. It is necessary to build a technology infrastructure that better translates research excellence into commercial application.

- Build research capacity for technology discovery:
 - Increase investment in science capacity at universities.
 - Promote initiatives for technology "capture."
- Enhance technology development and application:
 - Expand applied research in universities.
 - Build applied R&D capacity in the private sector.
- Enhance the process of technology deployment:
 - Create a "Technology Incubator without Walls."
 - Establish specialized technology deployment services.
- Implement the new technology strategies:
 - *Create a "Florida Partnership for Science and Technology Foundation" to provide guidance and support to improvement of the state's technology infrastructures.*
 - *Establish a major feasibility/design study to determine the specific program, resource, and organizational requirements for building strength in this area.*

Promote Capital Availability

Florida has two major weaknesses in its capital infrastructure: a lack of seed capital and a lack of expansion capital, particularly for firms in emerging industries.

- *Increase seed capital invested in new enterprise:*
 - Publicize information about Florida's enterprise successes.
 - Improve the networks that provide technical and management support to entrepreneurs.
 - Create a state fund that leverages private investment.
- *Promote expansion financing:*
 - Provide assistance and incentives for Florida banks to stimulate more financing for commercial expansion.
 - Encourage higher levels of venture capital investment in Florida firms.

Build Forward-Looking Physical Infrastructure

Major weaknesses exist in funding for highways. Continued expansion of airports and seaports is important for Florida's industries as well.

- *Provide stable and adequate funding sources for high ways through the state Transportation Trust Fund.*
- Link physical infrastructure policy making more explicitly to the changing economic requirements of Florida's industries in future infrastructure planning activities.
- Continue expansion and development of Florida's airports and seaports.

Enhance and Maintain Quality of Life

Florida's warm climate, extensive coastlines, and attractive outdoor life-style have been its greatest natural assets. The two major factors that affect Florida's quality of life are crime and the impact of growth. Both the perception and reality of rising crime in Florida hurt the state's quality of life and undermine its attractiveness.

- Actively market Florida's recreation and life-style benefits.
- *Address crime as an economic development issue.*

Link growth management, quality of life, and economic competitiveness issues in regulatory review processes.

Cross-Cutting Policies and Programs

Focus State Economic Development Policies and Programs

State economic development programs must be oriented to support the new strategic directions required to build new economic foundations to promote high-productivity industrial growth.

- *Promote a balanced strategy focused on attracting, retaining, and growing high-value-added industries.*
- Establish an overall marketing image for Florida based on value-added industries, investments in economic foundations, competitive tax and regulatory environment, high quality of life, and unique regional diversity.
- Link foreign trade/investment and international tourism efforts as part of a global marketing strategy for Florida.

Promote New Enterprise Development

Fostering the development of new enterprises is a critical component of Florida's strategy to increase innovation and value added in its growing industrial clusters.

- *Strengthen the support networks that provide management assistance to new firms.*
- Increase the availability of seed capital for new firms
- Improve research and the technology transfer capacity of state universities to assist new firms.

Encourage Regional Strategies

Under the overall strategic directions outlined above, economic development can be promoted in all parts of the state based on regional competitive advantages.

- *Encourage regions to develop competitive strategies for attracting, retaining, and growing value-added industries appropriate to each region.*
- Provide state economic development support tailored to strategies developed by regional economic development groups.

Establish a rural revitalization program that would help rural communities promote strategies appropriate to their needs.

Creating Florida's Future

Florida's leaders can create a positive future for Florida by building strong economic foundations for a competitive business climate that supports the growth of productivity in industry and higher real incomes for Florida's people. The new dynamics of Florida's leadership economy are summarized in Figure 4.

Building strong economic foundations today can make Florida a leadership economy in the 1990s and beyond.

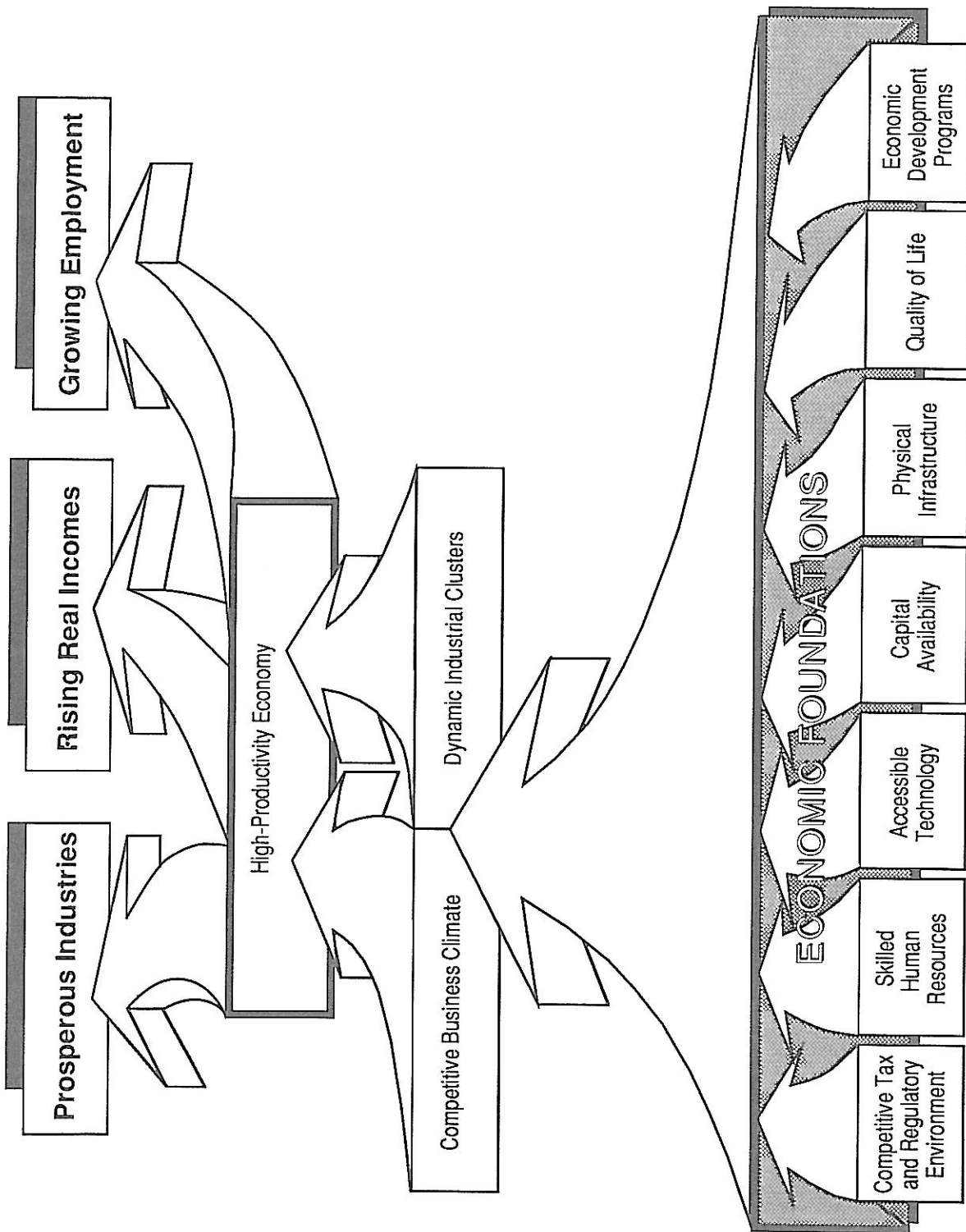


FIGURE 4 DYNAMICS OF FLORIDA'S LEADERSHIP ECONOMY

FOR MORE INFORMATION ABOUT CORNERSTONE

In 1978 the Florida Chamber cosponsored an Economic Development Study which helped to chart the economic development directions for a decade. Ten years later, the Chamber sponsored Cornerstone to help Florida prepare for the 1990s.

The Florida Chamber will continue to promote new strategic directions for Florida's future building on Cornerstone. If you would like more information about Cornerstone or would like to become involved in the ongoing efforts of the Florida Chamber to implement its strategic directions please contact:

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