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Turning Rustbelts Into Brainbelts

Albany is now a hub of nanoscale science. But getting it off the ground was expensive: Every job created cost taxpayers nearly \$1 million.

By **MARC LEVINSON**

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Back in the 1980s, with his state's economy outpacing the nation's and his eye on higher office, Gov. Michael Dukakis put forth a plan to spread the "Massachusetts Miracle" to the farthest corners of the commonwealth. The state would help fund "centers of excellence" in less affluent communities where universities and private companies would collaborate to create growth industries. New Bedford, an impoverished port once home to 40,000 textile workers, would emphasize marine science. Amherst, site of the University of Massachusetts's main campus, would join with Pittsfield, where General Electric had big plants, to break ground in polymer science. "Our goal," the Office of Economic Affairs declared, "is to establish each center and its surrounding geographic area as both the academic and economic world leader." Three decades on, New Bedford's unemployment rate is 3 percentage points above the state average. GE has largely departed Pittsfield, leaving an environmental mess behind. Gov. Dukakis's centers of excellence are long gone.

The Massachusetts experience doesn't figure in "The Smartest Places on Earth," a book by economist Antoine van Agtmael and journalist Fred Bakker. The authors assert that close cooperation between government, academia and the private sector can turn "rustbelts" into "brainbelts," generating innovations and helping troubled communities thrive. Their idea may have something to it. Their book, though—like much other writing on this subject—has so little analysis of what works and what doesn't that it will be of limited help to

anyone looking to revive a town that has seen better days.

The authors' thesis is that innovation in the modern economy "requires a form of intensive collaboration that goes well beyond the kind of joint ventures and project partnerships we have seen in the past." They claim that industrial centers of yesteryear are uniquely suited to promote this sort of collaboration: They have pools of businesses and workers with a deep understanding of particular industries, along with plenty of decaying buildings suitable for coffee shops, wine bars and cheap space for startup companies. The key, the authors write, is a "connector," a person who can bring business leaders, universities and government together.

The bulk of the book recounts their visits to hothouse cities in the United States and Europe that illustrate the point. These vignettes are entertaining, but they are biased toward success stories, and in some cases material facts are omitted.

Consider Akron, Ohio —or, as the authors refer to it, "Polymer Valley." The longtime home of the U.S. tire industry, Akron fell upon hard times in the '80s as the plants and corporate

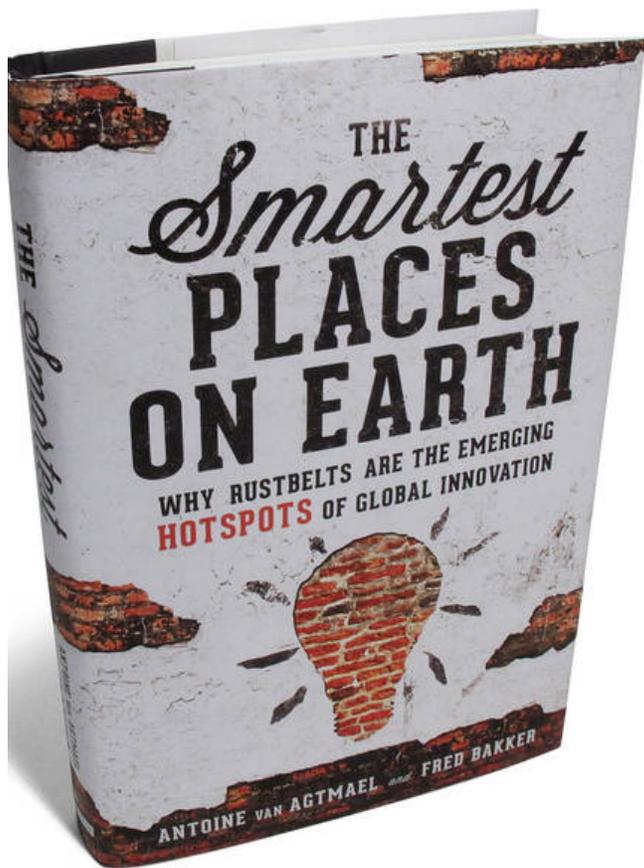


PHOTO: WSJ

headquarters closed down. The authors credit Luis Proenza, then president of the University of Akron, for conceiving of the university as an engine of economic growth. The school changed its rules so professors could profit from commercializing their discoveries, and it encouraged them to work with former tire-company researchers in the Akron area. The state of Ohio chipped in grants to "create new

By Antoine van Agtmael and Fred Bakker

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technology-based products, companies, industries, and jobs.” Thanks to these efforts, according to the authors, firms making specialty plastics and polymer-based coatings

flourished, establishing Akron as the hub of a fast-growing industry.



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I have no reason to doubt that Akron has become a hub of innovation in polymers. But in their enthusiasm for Akron’s comeback story, the authors gloss over some facts. The population of Summit County, of which Akron is the seat, has barely changed in two decades. The statistics show no influx of brainy young innovators: The county has aged faster than the country as a whole since 2000, and its median age, 40.6 years, is three years above the U.S. average. While a small number of scientific and technical jobs have been added, total employment peaked nearly a decade ago, and wages remain below the national average. In short, after 15 years the economic benefit of becoming a “brainbelt” seems to be limited.

Or consider the area around Albany, N.Y., which has become a hub of nanoscale science. The State University of New York created a research center and business incubator, the Nanotech Complex, which attracted funding from around the world. Advanced manufacturing, including a semiconductor plant now run by GlobalFoundries, followed. “Jumpstarted by the collaboration between the state of New York, its university system, and IBM, the Hudson Tech Valley has become a thriving brainbelt,” the authors report. What they don’t make clear is that this required breathtaking amounts of public money. “The GlobalFoundries arrangement was one of the biggest taxpayer handouts ever offered to a private enterprise in the United States,” the Albany Times Union reported in 2011. The subsidy was initially pegged at \$1.2 billion, or nearly \$1 million per job created in the project’s first phase—enough to pay an average plant worker’s wages for more than a decade.

The authors, to their credit, suggest a number of ways to measure a brainbelt’s success—the number of related business spinoffs and startups, the licensing activity of universities, the inflows of venture capital and of foreign and out-of-state knowledge workers. But they provide no cost-benefit analysis and ignore the many public-private collaborations that have done little or nothing to create sustained local economic growth. The authors seem unworried by the possibility that some brainbelts may prove as ineffectual as Massachusetts’ centers of excellence. Rather blithely, with no evidence whatsoever,

they assert that “there are far more examples of successful government participation in helping innovation than there are of misfires.” That confidence is not reassuring to anyone who wonders whether the \$1.2 billion of public funds used to build a semiconductor plant was well spent.

Mr. Levinson’s “The Box: How the Shipping Container Made the World Smaller and the World Economy Bigger” was recently published in a second edition.

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