

The Six Pillars for Michigan's Prosperity
Our Best and Future Hope

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PILLAR 6:

INCLUSIVE AND ENTREPRENEURIAL CULTURE

Innovation, New Ideas, New People, New Businesses: These are the Currency of the New Economy

The only reliable path to a high-prosperity Michigan is rooted in knowledge-based enterprises, yet Michigan lacks the venture capital and entrepreneurship necessary for a regional or state economy to truly flourish. An entrepreneurial and inclusive culture involves a spirited mindset and a way of life that generates innovation and prosperity. There are paths to creating such cultural energy: attracting talented people of all races and origins through “placemaking,” developing them through university systems, and then supporting them with research and development activity. This is a powerful strategy for prosperity.

Ingredients of Successful Economies

Michigan ranked second in the nation in total research and development expenditures in 2003.^(P6-1) Its universities are successful in winning patents, and five of them have tech transfer licenses, which are important for translating research into viable business opportunities. Yet the state ranks 40th in entrepreneurial activity.^(P6-2) Why? In the New Economy, growth and competitive advantage are derived in large part from entrepreneurs; even if a region has a strong education or knowledge infrastructure, it's difficult to translate that knowledge into commercial and business growth success without entrepreneurial energy.^(P6-3)



Regions with a higher proportion of college-educated residents see a higher rate of new firm formation, particularly in high-skill and high-wage services sectors. Michigan has an enviable higher education system. Its 105 colleges and universities produce top ten numbers for graduates at all levels of accomplishment. But most of these grads leave the state for vibrant metropolitan regions, leaving Michigan ranked 31st in residents with a four-year degree.^(P6-4) The nation's best-performing states rank much higher.

Michigan's Cultural Deficits

A generation ago, we encouraged our young people to get a steady job with good benefits and stay there—but that world has changed, and researchers believe that young people must get postsecondary education to prepare them to be “rock climbers” rather than “ladder climbers,” because they’ll likely have 10 to 20 jobs in their lifetime.^(P6-5) But despite all evidence to the contrary, nearly 75 percent of Michigan parents don't believe that higher education is essential for their children.^(P6-6)

One researcher finds that “the principle barrier to new business formation in older regions is simply the existence of established industries that divert potential entrepreneurs and other resources from the new business formation process.”^(P6-7) Michigan needs to change its culture while also sending a New Economy message to the world.



While metropolitan areas show the most potential for creating creative clusters of booming knowledge-based economies, Michigan currently sends negative messages about its cities. Its racial divide continues to loom large in perceptions of Michigan both inside and outside the state. Five of the nation's 25 most segregated cities are in Michigan—Benton Harbor, Detroit, Flint, Muskegon, and Saginaw.^(P6-8) These are among the very cities that the state now must recognize as key to its economic rebound.

Detroit—a city with great potential to be a Michigan signature city and the anchor for a thriving southeastern metro region—has suffered out-migration for decades, leaving behind an aging population that is 80 percent black. Michigan's other cities are not positioned strongly for the New Economy. Research shows that a pattern of segregation reduces the chance for entrepreneurship beyond very moderate levels,^(P6-9) which reduces the potential for wealth in Michigan's cities.

Another researcher asserts that the most important characteristic of a prosperous city is its ability to be “elastic” (create metropolitan governments by consolidation or annexation), resulting in economic



prosperity and little economic and racial segregation.^(P6-10) Talented young people tend to be open-minded, most likely to appreciate other people of talent, regardless of ethnicity. To them, ideas matter, not race. There are signs that the metro Detroit region is addressing racial issues with vigor. Within the past few years, several organizations led by prominent leaders in several sectors of the Detroit economic and social fabric have placed the issue of race high on their priority list.

Michigan Must Welcome Everyone

According to a new report commissioned by CEOs for Cities, 90 percent of population growth in the United States between 2000 and 2050—about 130 million people—will be racial and ethnic minorities, mostly new immigrants.^(P6-11) Increasingly, many knowledge workers are from overseas; they can contribute new perspectives and enhance a state’s innovation. Foreign-born and foreign-educated scientists and engineers are authors



of the most-cited scientific papers and inventors holding highly cited patents.^(P6-12) In fact, foreign-born entrepreneurs are involved in 25 percent of high-tech startup companies in the U.S.^(P6-13)

Fortunately, Michigan is performing fairly well in attracting immigrants. While the nation as a whole has been less open to immigrants since 9/11, Michigan ranks 6th in the number of immigrant knowledge workers, but it must do better to surpass the nation’s most thriving regions. Michigan leaders and policymakers need to send an even stronger message to the nation and the world that the state opens its arms to the intellectual capital of immigrants, and that it supports efforts to create attractive, vibrant metropolitan regions welcoming to all.

Learn More

For more information about Michigan’s inclusive and entrepreneurial culture and to explore sources for this article, visit www.PeopleandLand.org. The Six Pillars for Prosperity are endorsed by PAL member organizations, including:

- Michigan Association of REALTORS®
- Michigan Chamber of Commerce
- Michigan Environmental Council
- Michigan Farm Bureau
- Michigan Suburbs Alliance
- Michigan United Conservation Clubs
- NAACP – Detroit Branch