

# ECONOMIC DEVELOPMENT

## THE INTERSECTION OF CAPITAL: HUMAN, INTELLECTUAL AND CORPORATE

### New Challenges - New Solutions

#### *Economic Summit*

The University of Findlay hosted an economic summit, New Challenges - New Solutions, on Feb. 6, 2009. Topics of presentation and discussion included an analysis of the overall business climate, economic recovery, emerging business opportunities and the impact of the crisis in northwest Ohio. A distinguished group of economic and business "experts" from across the country served on the panel discussions including: Andy Dale (Fifth Third Bank), Amy Hackenberg (Huntington National Bank), Paul Lacroix (DeLoitte & Touche), William Landes, Ph.D. (Gottex Funds Management), Yourgos Papatheodorou, (Marathon Oil Company), Tim Wicks (YRC Worldwide Inc.), Robert Skaggs (NiSource Inc.) and Paul Worsetell (Pro-Tec Coating Co.).

#### **BRIEF OVERVIEW OF THE SUMMIT:**

##### *State of the economy and the prospect for recovery*

According to Dr. Ira Kalish, the director of global economics at Deloitte Research, the global economy has "stabilized" somewhat in the first quarter of 2009, albeit at a low and declining level. This is not necessarily an implication of good times, but rather a lack of daily shocks. One of the biggest concerns or surprises is the decline in economic growth throughout much of the world and the change in mindset regarding government policy and the role of government policy in the economy. Although the impact of the federal government stimulus package was debated, there was a general consensus among participant presenters that a stimulus is indeed needed whether it occurs via tax credits, money in consumer pockets, or direct investments in state and local governments for infrastructure building to help create jobs. The primary goal of the fiscal stimulus is to offset the de-leveraging of the private sector by leveraging the public sector and stimulating the economic activity. Seventy percent of the Gross Domestic Product in the United States is driven by consumer purchasing, and the general feeling of the experts is that the stimulus may help consumer confidence and get them spending and investing again. Our current crisis is emotionally driven and because there is still a lot of volatility in equity markets and home prices, the stimulus is probably necessary although it is difficult to predict how effective it will be.

##### *Key drivers of the return to economic growth*

The passage of the stimulus plan, stabilization of home prices, and confidence in financial institutions and their capital base must occur before we return to economic growth. In ordinary times the issuance of

massive amounts of government bonds to fund the economic stimulus is not a prudent course of action because it could result in an increase in interest rates. However, in this economy that is not likely to happen because investors are eager to hold Treasury Securities. Furthermore, because deflation is currently one of the greatest concerns even if the program is funded by printing money and increasing the money supply, it could have a positive effect of creating a little inflation.

##### *Economic recovery predicted to begin in third quarter 2009*

Consumer spending is expected to start increasing late in the fourth quarter of 2009 or the first quarter of 2010, but it may be late 2010 that we'll see a return to normal. There currently is a plethora of cash on the sidelines just waiting to reenter the market.

##### *Emerging business opportunities in the new economy*

Health care and small service types of entrepreneurial business including accounting and green, clean



Photovoltaic panels being installed on the BGSU Ice Arena roof

and environmental technologies are the emerging business opportunities identified by panelists. The recession-proof industries are health care (doctors, nurses, technical assistants), education (math, science, bilingual), security (police, detectives, security guards, international), environmental sciences (green initiatives) and government (state and federal).

There will be a significant reinvestment in basic infrastructure including roads, buildings and schools, as well as in green and clean technologies including solar, wind, natural gas and nuclear. Furthermore, there is a need to develop the transmission capacity of wind and solar technologies as well as pipelines for natural gas. Moreover, we need investment in research that focuses on getting liquid fuels and coal affordable and clean. It was also mentioned that because of the silos in the health industry we should see major investment in connecting all the disparate parts of the industry. Additionally, the experts stressed that as individuals we will need to become more dependent upon ourselves rather than large corporations, and embrace the idea of becoming life long learners with continually evolving skills and "contract" workers.

Telecommunication will also continue to grow, although there may be a shift away from traditional



cellular devices as the number of Internet users utilizing hand held technologies increases. There will be a significant investment in bandwidth and fiber optics. Consumers want technology that is readily available whenever and wherever they want it.

### *Financing available for small businesses in northwest Ohio*

Representatives from Fifth Third and Huntington Banks indicated that financing is available for businesses in northwest Ohio. The difference in the new economy is a tightening of lending practices whereby borrowers will undergo a stricter level of scrutiny than in the past. However, both banks assured the audience that they do have funding available for credit worthy borrowers with sound business strategies and practices.

### *Fingerhut promotes role of education in economic development*

Chancellor Eric Fingerhut, at a budget hearing before the House Finance and Appropriations Committee, gave particular emphasis to the education committee's growing relevance to economic development.

"I would submit to you that there is at least as strong a case to be made that economic development should be part of the title of the Education Committee at this critical juncture in our state's history as there is for economic development to be a part of the title of the Ways and Means Committee. The place where the 'ways and means' will come from is first and foremost through the earning power of Ohioans. That earning power will rise and fall on our success in building a world-class system of higher education that provides our workers with the training and education they need to get and keep good jobs, our businesses with the workers they need, and our economy with the innovative research and entrepreneurial leaders it needs to create new jobs in growing industries."

According to Fingerhut, the tuition freeze approved by the previous General Assembly has had a significant impact on enrollment in the University System of Ohio, which rose from roughly 457,000 students in Fall 2006 to 478,000 students in Fall 2008—a five percent increase. He said low-cost options at two-year colleges and branch campuses had posted the biggest gains and were central to the state's goal of 230,000 new students over the next decade.

The chancellor further noted administrative efficiency gains at state institutions under the previous biennial budget and pointed to the newly formed Advisory Committee on Efficiency in the University System of Ohio. Fingerhut said, however, that efficiencies would also have to be achieved at the instructional level—a key feature of the governor's current budget proposal. "No longer will we pay schools simply for enrolling students," said Fingerhut. "Our new formula will pay universities only for students who complete courses and degrees, and will pay community colleges for helping students reach specified benchmarks of progress. Paying for results is the ultimate efficiency for taxpayers—and for students."

He noted that higher education priorities had not been confined to publicly funded institutions, and that over the past two years, the state had provided \$290 million to private institutions for research, grants and scholarships, and financial aid, including funds from the Choose Ohio First Scholarship Program, Ohio Research Scholars Program, Ohio College Opportunity Grant and Third Frontier.