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## Florida's future rests on research, technology, talent

By JERRY HAAR

While others debate whether the country is in a recession, Floridians pretty much know the answer: Yes. A recession is more than an economic statistic; it's also state of mind -- and the shroud of gloom and anxiety that covers the state is reflected in a recent poll indicating consumer confidence in Florida plunged to a 16-year low last month.

The bursting housing bubble, the construction downturn, ARM resets, surging credit card debt, personal and corporate bankruptcies, and budget deficits at both the federal and state levels (Florida faces a \$2 billion revenue shortfall) combine to create a perfect storm that will keep us in the economic doldrums through 2008 at least.

Nevertheless, as students of economic history and business cycles well know, the inverse of Newton's law holds true: Whatever goes down, must go back up. The length and depth of the recession are unknown, but it will end in time. The question is: Will Florida be ready to take advantage of the recovery?

How we respond will shape our future. And that will depend upon which of two paths we take as posed in the Florida Chamber Foundation's 2007 New Cornerstone Revisited report.

- **One course is** to stick to our knitting and count on tourists, retirees and service jobs to drive the state economy, hawking climate and location as the key selling points.
- **The other is** to redouble our efforts to compete as a value-added production and services locale, propelled by knowledge-based industries, technology entrepreneurship and a large stream of venture capital.

If we survey the nation's most competitive regional economies, we find Silicon Valley, Boston, Austin, Seattle, San Diego and Raleigh-Durham. All are characterized by emerging, innovation-based businesses and highly skilled knowledge workers. Despite snagging high profile prizes like the Scripps and Torrey Pines research institutes, Florida just doesn't stack up. Research-and-development spending is less than half the nationwide average, and we rank 40th as a percentage of gross state product in this category and only 31st in patent issuance.

We account for a mere 1.2 percent of the nation's venture capital investments, with outlays declining from \$2.5 billion in 2000 to \$304 million in 2006. While we do have 276,000 high-tech workers, the vast majority are not engaged in high-valued-added activities related to research and innovation.

For technology to thrive, it must be coupled with talent. Here, too, Florida comes up short.

Many of our best and brightest high school students leave the state for college and do not return, and many of our top college graduates, professors and researchers leave the state for more-attractive opportunities elsewhere. In the Third World, this is known as "brain drain," but it is increasingly happening here, as well.

The statistics are telling. Our public universities are hugely under-capitalized, with state funding per student in a nose-dive. We have the lowest tuition in the nation -- less than half the median -- and the worst student-faculty ratio in the country. Florida ranks 46th in bachelor's degrees awarded per capita; and in an

era of increased global competitiveness, 75 percent of our adult population does not have a college degree.

The situation is not entirely bleak. The state is launching a Florida Opportunity Fund that will allocate nearly \$30 million to venture capital funds that will match the amount dollar-for-dollar and invest in life sciences, information technology, aerospace and advanced manufacturing. Cutting-edge research in nanotechnology and nanomedical research at the University of Florida and Florida International University continues unabated, and the state is awarding \$100 million in funding for Centers of Excellence at Florida universities.

The present reality of recession will be with us for some time. Fortunately, South Florida is cushioned to some extent from the downturn -- despite the crash of the condo market -- by virtue of strong international trade, due primarily to exports to Latin America, foreign tourists drawn by the weaker dollar and healthcare (a recession-proof sector).

But look a little closer. Our long-term prospects are bleak if we continue to rest our laurels on the wobbly three-legged economic stool of tourism, international trade and services. The majority of jobs in these industries are characterized by low skills, low wages and high turnover -- just like those found in Third World economies.

Florida cannot compete in the 21st century with a 20th century economy. Sunshine, Disney and the lack of a state income tax are no substitutes for technology, talent and a world-class infrastructure to support them. It's time we stop believing our own press releases and summon the will to act, compete and win in the global economy.

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