

# Looking At The ISSUES

November 2, 2007

## Cleveland Fed President Cites Innovation and Human Capital as Drivers of Regional Economy

*How, then, can Ohio get on the right path and get our economy expanding at rates seen in other parts of the country? To answer this question, we need to understand the factors that determine how a region grows.*- Sandra Pianalto

On October 18<sup>th</sup>, Sandra Pianalto, President and CEO of the Federal Reserve Bank of Cleveland, addressed the Ohio Grantmakers Forum – an association of Ohio foundations in Columbus. The subject of her speech was *National and Regional Economic Conditions*. According to Pianalto, innovation and human capital remain the primary drivers of economic goals. The latter is linked to education. The following are excerpts from her speech. (At [www.clevelandfed.org](http://www.clevelandfed.org), readers can access the speech in its entirety.)

- “While a number of factors may explain differences in regional economic performance, our research at the Federal Reserve Bank of Cleveland shows that over the long run, there are two key drivers of regional economic growth - innovation and human capital.”
- “We know that innovation will be commercialized more readily in regions where entrepreneurship and business formation are encouraged. And our research shows that regions where such innovative activity prospers through commercialization have a real advantage.”
  - “While innovation is the accumulation of knowledge that makes people more productive, human capital is actually the wellspring of innovation. Human capital represents the knowledge and skills that workers, managers and entrepreneurs acquire through school, on-the-job training, and informal channels.”
- “Those individuals and those regions that invest most effectively in education will be more readily able to adapt to the economic shocks that are bound to occur. It may be that the returns on the investments we make in education are not specifically tied to what we learn, but rather in enhancing our ability to learn. And it is our ability to learn and create that allows us to innovate and to respond to the changes in the economy that, while uncertain in nature and timing, are certain to come.”



## Looking At The Week

### O’Neill Appointed to Statewide Committee

On Monday, October 26<sup>th</sup>, Dr. Adrienne O’Neill was appointed to serve on the Public-Private Collaborative Commission – a statewide committee on the Ohio Core (a part of Senate Bill 311) – as the appointment of the President of the Senate.

## In The News

### National Award Goes to Canton City Teacher

Congratulations to Worley Elementary teacher, Terra Mann, for being recognized with the U.S. Department of Education’s “American Stars of Teaching” award for Ohio. Mann was selected from among 4,000 nominations with just one teacher from each state being honored. (Go to [www.cantonrep.com/index.php?ID=383104](http://www.cantonrep.com/index.php?ID=383104) for the full Canton Repository article.)