KCEE Fundamental$ Summit
June 14, 2012, Noon
Holiday Inn Hurstbourne

The Kentucky Economy:
Yesterday, Today, and Tomorrow

1. Appreciate invitation/opportunity
   - Started teaching Economics in 1974 – UK – all I ever wanted to do was to teach.
   - Thank you for this opportunity to offer some perspectives on Kentucky economy.
2. First – a. U.S. economy

           2008-09

               -10 – 3%   GDP

                 -11 – 1.9%

                 -12 – ??

           b.   KY – lost 120,000; added 70,000
3. Kentucky economy structural view
4. Old Guy –
   - Early/mid-1950's – grew up in Louisville
   - GE – 25,000 (washers/dryers – refrigerators/store/etc.)
   - L&N – Jane, Dad/Granddad
   - Goodrich – Rubbertown (Dad worked)
   - B&W (I worked)

   Louisville was a great industrial city / great
   Kentucky was a manufacturing state – we were/we are: we are good at making things – home appliances, industrial equipment, cars
5. In fact, historical – Kentucky – higher %:
   But last decade
   17% v 11.4%
   10 yrs   today – Loss of 100,000 manufacturing jobs

   - Manufacturing
     - Non-Durable – cut/sew
     - Durable
   - Coal
     - Mining
   - Agriculture
     - Tobacco

   Much has changed –jobs of today different than jobs of yesterday/don't know jobs of tomorrow.
6. But there are Givens; things we do know:
   #1   Do know New Economy   Knowledge Based Economy

- Great corporations of today – Apple/Microsoft/Google/maybe Facebook didn't exist; built on ideas/creativity;
- GE – companies reinvent – financial/health care/space
- So key to economic future - Human Capital – brain power/creativity/innovation – factors of production. In fact:
- 3 t's – Richard Florida
    - Talent/Technology/Tolerance

#2   Second, we see a paradigm shift: jobs follow people / old days – recruit a factory – today people can work anywhere – give me an iPad/iPhone

#3   We know that recent research – Milken Institute – Ross DeVoe
    - Research University (talented workforce/new knowledge/quality of life)

#4   Global economy – just look
    - Japan
    - Greece/Spain
    - China

#5   We know per capita income in Kentucky 80%. And we know the reason?

7.   Given these Givens – what is our public policy direction? Education more important than ever – unemployment today.   8.1 v 4%
- Louisville community has two major initiatives:
    a)   Bigger talent base: 55K – 2020 – benchmark cities
        - High School → College → Graduate
          (Note: State – "Double the Numbers")
        - Team sport – high school/college/ business/government
          "Talk the talk" but not "walk the walk"

    b)   As we must develop along with talent, we must develop new economic clusters in our community, e.g.
        1.   Health Care/Life Sciences
            a.   First – today Health care/Education sector of Kentucky economy larger than manufacturing (couple of years ago) growth sector
                History – Humana
                You and I demand
            b.   Second – Human Genome – genetic structure change medicine today/UofL School of Medicine
            c.   Third – Success: e.g., Subclusters: Aging – Senior Care. Home to more lifelong wellness and aging companies than anywhere else.
                - Rescare
                - Kindred
                - Humana
                - Athena
                - Almost Family
                - Signature Health Care

- Atria
- Trilogy
- Elmcroft
- PharMerica

2. Logistics – Location/road system/river/but UPS – biologistics.
3. Additive/Advanced Manufacturing – yes, loss of manufacturing jobs, you and I, consumer MEMS/Nano technology, produce faster, stronger, cheaper.
   BEAM initiative

4. Business Services
   • Startup/financing/legal $\Rightarrow$ capital markets
5. Renewable Energy – Kentucky Energy State: Coal
6. Dining/Franchising
   YUM
   Papa John's
   Texas Roadhouse

8. So locally we have a dual strategy to grow economy/job/quality of life; build:
   • Talent pool
   • Develop new clusters of activity
     Economic development strategy: clusters –
     Key to both: Education, Education, Education, Education
   Δ   Yet, hard for policy makers – education often do not – investment good – but consumption good – competing with Medicaid/corrections and so we fail to invest in our future.
9. Wrap up – to you
   a. Educators – thank you
   b. Economic literacy/understand our economy more important than
10. Don't ever underestimate your role, your impact, your influence

Thank you.