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 ⇒ 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.