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Good afternoon, it's nice to be back in my home state of California.

I'll start with stating the obvious: the world has changed – dramatically over the last 10 years.

Today, we are living in an economic era defined, for the time being, by its difficulties. By foreclosures, by unemployment, by concerns about a "double-dip" recession or a jobless recovery.

The picture *has* improved in significant ways over the past year. But for American families, it is not enough to say the worst is over.

The measures that economists use like —"leading economic indicators"—mean less to most people than the basic fact of whether they've got a job, whether it pays well enough, and whether they can hold onto their home and afford their health care bills.

We know all this. It's the overriding fact of our national life. But what might be less obvious is that the world didn't change overnight in 2008. It felt that way, but this was all a long time coming.

For decades, markets have been growing more global. Developing countries have been, well, developing. Entire industries have been moving overseas. Businesses have been burdened by rising health care costs. Workers have been forced into a knowledge-driven economy, whether or not they have the skills to compete.

Some American leaders recognized this. But the hard truth is that, as a nation, we didn't do enough about it. Over the past decade, we let our infrastructure crumble… our schools languish… our small businesses fend for themselves. Instead of building foundations, we chased bubbles.

We all know that hindsight is 20-20. But looking back, a wake-up call was inevitable. As a nation, we had to stop and say, what on earth is happening? Why is it happening? And what can we do about it?

We are still challenged by economic conditions, but we're no longer bewildered. History has shown that in times of economic downturns there are also great opportunities. And I'll take a moment right now to brag about my home state in that context.

As the eighth largest economy in the world representing 13% of the US GDP, Governor Schwarzenegger often refers to California as a nation-state – because of the size, complexity and resiliency of California's economy. Because of this and the fact that most of the world's leading new industries are based in California – it is going to play a significant role in the economic recovery of this nation.

The fact is that economic disruptions challenge the status quo and present opportunities for innovative thinkers and new business practices. The Golden State is pretty good when it comes to innovation and its ability to inspire new ideas, new industries, new technologies, and new ways of thinking.

And Rising fuel costs and increasing global population are creating a new opportunity for California. As this state began its economic ascendancy with the Gold Rush, California is now poised to get a new shot in the arm from a Green Rush - the exploding green-tech revolution.

A recent study by the U.S. Conference of Mayors estimates there will be 4.2 million green jobs created nationwide just in the next 20 years. California is on the cutting-edge when it comes to solar technology, alternative-fuel vehicles, energy-efficient products, green buildings and more.

Over the past year, the Obama Administration has been providing clear answers to the questions of what happened, why, and how we can make sure it doesn't happen again.

Over the past year, our nation has begun the hard work of changing to meet new challenges… to seize new opportunities… and to fulfill the over riding goal that the president has set—to end the cycle of boom and bust.

By acting decisively, this Administration pulled us back from the brink. Independent economists have just confirmed that the Recovery Act has saved or created more than 1.5 million jobs.

Although the jobs picture is still sobering, the unemployment trend is nowhere near as bad as it was when President Obama took office. One year ago, our economy was shrinking at rate of 6 percent. Today, it's growing at a rate of 3 percent.

It's welcome news that from an economic standpoint, the recovery has begun; but for the American people, the storm clouds have not passed.

To quote President Obama, "[It's] only when our businesses start hiring again and people start spending again and families start seeing improvement in their own lives again, that we're going to have the kind of economy that we want."

As the president has made clear, we need to do more than get America back on its feet. We need to get moving again. We need to take big steps: we need to modernize our education system, revitalize our infrastructure, invest in industries of the future, and create a new entrepreneurial culture in which innovation can flourish. We need to build a new foundation for sustainable growth.

The goal is not only to usher in a new expansion, but to make sure it is more enduring, rewarding, and broad-based than previous ones. And we need to remember that if we don't do these things, someone else will. In fact, they already are. Other nations, from China to Korea to Finland to France, got the same wake-up call we did. They are taking big, strategic steps. If we run in place, we're inviting them to overtake us.

But in this race to lead, my money is still on the American people.

For centuries, we've attracted, developed, and nurtured the world's best talent, and given our citizens a chance to build a better life for themselves and their families. The values of hard work and fairness are ingrained in our national identity.

Put simply, it's who we are.

And increasingly, we know what to do. We know what kinds of businesses create the best-paying, most sustainable jobs. They're the businesses that economists call "gazelles"—firms with a solid foundation, and lot of growth potential.

We also know where gazelles can thrive.

Their habitat is not the company town. They're found in science and technology parks, laboratories, business incubators—places where entrepreneurs, scientists, product developers, and venture capitalists are clustered together and can work together.

Places where innovations can not only be developed, but also brought to market. Where new businesses have a chance to grow.

Where entrepreneurs—even the ones who at first don't succeed—have a chance to try, try, and try again.

And where workers have the security of knowing that if one employer closes its doors, another will emerge to take its place.

This is not theoretical stuff. It is happening today. Not just in well-known places like Silicon Valley and the Research Triangle, but in the New Mexico Technology Corridor. At the Arizona Bioscience Park in Tucson. At the Virginia Tech University Institute for Advanced Learning and Research in Danville. And other places, large and small, all around the country.

Despite the job picture, these approaches are working. They're getting real results.
For all the missed opportunities of the past decade, and for all the challenges of the present moment, there are great American success stories to tell.

And every one of these success stories has a common theme: place matters. Entrepreneurs and researchers and innovators want to be around each other.

They want to feed off the shared creative energy. They want access to a shared talent pool. They want to build relationships. So if a local community is able to plant that seed—if it's able to create the climate for innovation and build a critical mass– then private investment will follow. Innovation will follow. Jobs will follow.

If you think about the iconic areas I mentioned—the Research Triangle, Silicon Valley—they aren't towns or cities. They're regions. They're what Harvard's Michael Porter calls "regional innovation clusters"—groups of companies, educational institutions, municipalities, sometimes even states, working together to create the best possible climate for business. They work together because they are stronger that way.

As I mentioned, these innovation hotbeds are not confined to any one part of the country. They're in Rochester, New York and Dubuque, Iowa. They're in Saginaw, Michigan and San Jose, California. You can find them all over the map.

And yet: if you took that map and colored in all the established regional clusters, most of the country would still be white space.

So these regional clusters aren't quite exceptions; but they're certainly not the rule.

That's true for a couple of reasons.

First, old habits die hard.

For most civic and business leaders, what I'm describing isn't an entirely new model. But it requires a new set of metrics. It's a new way to keep score

I say all this, by the way, as someone who has been an economic developer for cities and counties for his entire career.

Because in the past, there was only one metric that mattered: the number of jobs created in my town. If you created a job – any job – it had to be in your backyard to score points.
And if you laid a foundation for economic growth, or you made your entire region more competitive, that was nice ... but you didn't score any points.

That meant that you had to treat your neighbors – the county, or the district, or the state down the road – as your competition. Your job as an elected official was to make sure that you brought in the big jobs – and that they didn't. It was a zero-sum game. A job created in one place was a job *not created* someplace else.

When you attracted a plant or a factory, you celebrated. But most of the time, the celebration didn't last long.

The very same competitive pressures that caused a manufacturer to relocate to your state from another one also caused it, down the line, to relocate overseas—or to go out of business altogether.

Still, as I said, old habits die hard. There are powerful incentives to keep operating this way. Our political system rewards mayors, members of Congress, and governors for how much good they did for their constituents in the short term—you don't get credit for fostering long-term growth.
And in recent years, a virtual cottage industry has developed in ranking states on how attractive they are as places to do business: who's got the lowest labor costs, who's got the lightest tax load or regulatory burden, and so on.

And don't get me wrong. Competition, by and large, is a good thing. Being an easy and attractive place to do business is a good thing. And, of course, the number of local jobs created will always be an important metric – one of the most important metrics – of an official's performance.

But at the same time, today's economic challenges require us to be not just competitive with each other, but collaborative as well. In the 21st century, our toughest competition isn't down the road—it's across the world.

Yes, this part of California will always be in some kind of competition with other parts of the country, and that's OK. But really, what we need is for all of us to be focused on China… on Brazil… on India. We need the people of the United States, and their political and business and civic leaders, to see that we are interconnected. We are interdependent.

So, we need a new way to measure success. If the city next door creates 1,000 jobs, it doesn't mean you lost – it means the region won. Because over time, that business is going to attract more new business to the area. In the long term, everybody benefits.

And while jobs are an important number, we need to remember that they're not the only number.

We need to also measure success in terms of new businesses created, in terms of patents filed. We need to rate our elected officials not just by the jobs they bring in today, but by the jobs they make possible tomorrow.

I said there were at least two reasons why this approach has been slow to take off.

Here's the second: because for the past decade, federal support for these regional efforts has been too limited. Too fragmented. Too inconsistent. The federal government has not been a reliable partner.

Now, by "partner," I don't mean someone who comes in, picks winners and losers, yokes everyone to a strategy cooked up in Washington, and makes everyone do things their way.

I can tell you, as a former local government official, innovation doesn't happen that way. It's got to happen organically – from the bottom, up. It's got to be planned and run by the entrepreneurs and civic leaders in that particular region.

But that doesn't mean that they should be left to fend for themselves.

As I said, there are a lot of pressures that work against collaboration.

What Washington can do—and under President Obama, what Washington has begun to do—is to facilitate collaboration.

To provide a framework for that discussion among all the stakeholders. To help regions assess their competitive strengths. To help them design a strategy to bring together the technology, the human capital, and the financial capital it will take to compete. And to provide seed money for turning a region's unique strategy into reality.

I can't emphasize this word—*strategy*—enough.

Because for a long time, we, as a nation, didn't really have a strategy. Instead, we used what Secretary Locke described as a "buckshot approach" – for every hit, there were way too many misses. And that means that today, we have some catching up to do.

As the Secretary put it, in a stark but accurate assessment, "America simply does not have an efficient system to take new ideas from government, academic and private-sector research labs and translate them into commercially viable products and businesses."

That needs to change. Whether the investment comes from the federal or state government, or the private sector, or—ideally—all of the above, those dollars will do a lot more good if they serve a well-developed regional *strategy* that leverages core regional *strengths*.

The old paradigm was piecemeal investment—project by project. The dots never got connected. The conversation began and ended with, "we need this one, critical piece of infrastructure."

Under the new paradigm, the conversation begins with questions: "What are our assets as a region?
What do we think we can become over the next ten years—the nation's center for nanotechnology? The go-to cluster for solar research and product development? And: how can we get there?"

When I got the call from Secretary Locke to take a position in this Administration, I was excited—not just by the chance to serve, but by the chance to serve in this way.
I knew that President Obama and Secretary Locke were determined to renew American innovation and redefine economic development.

And a career public servant, I have seen that development does more than improve bottom lines—or re-election prospects. It changes lives.

A job changes lives…. And as much as we want to talk about national economic competitiveness, we in Washington, have to remember that it's also about individuals and their families and whether or not they have the opportunity to earn a living wage.

When I worked for Governor Schwarzenegger as his Deputy Secretary for Economic Development and Commerce – I saw how the federal government can help build infrastructure for economic growth and also build "soft" infrastructure – the workforce and ecosystems for entrepreneurs and innovation

The EDA was an important partner in all this. They didn't come into regions and dictate what the strategy should be. They understood that not all regions are the same – and that if the strategy was not built by locals it would not be implemented.

What they did was make it possible for us to collaborate, and possible for us to come up with our strategy and implement it.

But, I also saw how frustrating working with EDA could be. There was a lot of bureaucracy.

So while I was excited to come to Washington to help lead the EDA, I recognized that we needed to make some big shifts in how it operates.

We have to align our investment strategies—and our internal practices—with 21st century needs. It's not just entrepreneurs who have to change the way they do business.

Today, I'm proud to report that the EDA is an integral part of President Obama's efforts to implement a new national innovation policy.

A few months ago, the White House put together a blueprint for this new agenda, and the ideas I've been discussing—regional innovation clusters, agencies and institutions working together, and the importance of long-term growth strategies—are at its core.

That approach has already been reflected in the President's decision to direct a substantial amount of Recovery Act funding toward green jobs, next-generation infrastructure, and education.
Investment in these areas is putting people to work today—and just as importantly; it will create a virtuous cycle of investment, innovation, and job creation for tomorrow.

EDA is working to fulfill those objectives.

Region by region, we're helping to speed the transition to a more entrepreneurial, innovation-driven society. In practical terms, that means three things:

- Fostering regional innovation that builds on an area's competitive advantages.
- Encouraging business exports and competitiveness.
- And doing it in a way that leverages private investment.

You can see these priorities reflected in the work we've done since President Obama took office. EDA received $150 million of Recovery Act funding to apply toward these goals.

By the end of September—a full year ahead of schedule—we had obligated all of that money, funding 68 projects in 37 states. All of EDA's Recovery Act investments went to areas hit hard by corporate restructuring.

We have invested $50 million to promote the development of regional innovation clusters, $37 million to promote business incubation, $27 million to promote green jobs, and $11 million to promote trade, connecting regional economies to the global marketplace.

These funds are creating high-skill, high-wage jobs, and attracting private investment.

In the first quarter of fiscal year 2010 alone, EDA has leveraged $792 million in private investment—a return of more than nine to one.

Our work extends well beyond big metro areas, where entrepreneurial activity tends to be concentrated. We reach every region and every segment of the population, from those with GEDs to those with PhDs. In the Great Plains, communities are adding thousands of jobs, thanks to the new wind power industry.

In Duluth, Minnesota, community colleges are partnering with the region's growing aircraft manufacturing industry.
In Blacksburg, Virginia, the local science park is attracting an average of twenty new companies a year to a distressed Appalachian region.

So we measure success not just by the numbers, but by whether a new business has a fighting chance to succeed.

Whether American workers can find new jobs if their old ones go overseas. Whether towns like this are still going to be great places to raise kids twenty or thirty years from now. And whether we bring opportunity to all those white spaces on the map.

This, as I mentioned, is an important part of EDA's mission. I see it as part of a long American tradition. President Obama is following in the footsteps of Thomas Jefferson, who prepared a national plan to build roads and canals in the Louisiana Purchase, and bring that vast region into our national life.

Or Lincoln, who enlisted private companies to build the railroads, and forge a connection between East and West.

Or FDR, who brought affordable power and built electric lines to some of the poorest parts of the country.

Each of these presidents brought underdeveloped parts of America into the economic picture. This gave the people there a chance to contribute and compete.

That work is not yet done. Despite modern technology, there are still parts of the United States that have historically been cut off from the rest of us. There are also cities and towns, large and small, that once were thriving, but now are suffering, as manufacturing jobs have gone overseas. We can't afford to leave all these Americans behind.

As we come out of this recession, as we create this innovation-driven economy, we have to make sure that it's inclusive. We have to make sure that these new opportunities aren't just for the big cities, aren't just for the PhDs, aren't just for the well-connected. Everybody ought to have a stake in this.

So we need to get better at reaching out to underserved communities, at making sure they know what opportunities are out there, and at helping them compete. We need to build connections between the big cities and the small towns, between the urban areas and the rural areas. We need to include everyone in this shared vision, and let them add to our national strength.

This is a strategy for long-term growth. It is also an expression of our deepest beliefs—the promise this country makes to every child: no matter where you are born, no matter what your race, background, or community, you will have a chance to contribute and a chance to compete.

Of course, for them, and for our children, "job security" will mean something different than it did for our parents' generation. Gone are the days when you worked 40, 50 years for one company. Today, job security is having the ability to be nimble and flexible and not be dependent on a single employer or industry. It's having the ability to reinvent yourself, because the job you hold five years from now might not even exist today.

That kind of security is hard to achieve. But I know that this administration believes that it is possible. And I share that belief.

I've seen that hope become reality in communities all across this country.

That's the work we do. It's the work not just of the Department of Commerce, not just of government, but of business and labor and groups of all kinds. It is the work of our entire nation.

And every day, I'm honored to be part of the President's economic team because, I believe that this country is as a crossroads and that we will make the right decisions and we will continue to lead the world into this century.

Thank you.