

An investment in cooperation

By William C. Norris

Recent media reports have fostered misconceptions about the Greater Minnesota Corporation (GMC). A major misconception is to cast the GMC in the role of picking winners. Another is the contention that a program led by a public-private organization cannot be as innovative as one led by the private sector.

Actually, the GMC isn't primarily engaged in picking winners. Instead, it is in the business of developing winners. One way is to assist entrepreneurs and small companies with ideas for new products or services by providing support through public-private cooperation.

Another way to develop winners is with assistance in acquiring technology from sources outside of Minnesota, including U.S. government laboratories and foreign organizations. Experience shows that importing technology from foreign countries, which is increasingly necessary because the United States is no longer self-sufficient in technology, is particularly difficult and costly.

A third way to help develop winners is through the Advanced Manufacturing Technology Centers, which provide small- and medium-sized companies access, at an affordable cost, to advanced manufacturing facilities.

When the centers are in place, they will offer many smaller manufacturing companies the opportunity to introduce new products in the marketplace early, at competitive prices and with high quality. Without access to advanced manufacturing technology, many smaller companies won't be able to compete with foreign competitors who are making much greater utilization of such technology.

The contention that a public-private organization cannot be as innovative as a private organization shows lack of understanding of the constructive role that government can play in the innovation process.

An important underpinning of the Japanese economic miracle is the government's contribution to innovation by fostering cooperation. The Japanese government encourages cooperation among corporations, government agencies and universities by providing seed money to get the effort started.

The Japanese achieved large efficiency gains with programs targeted to the development of high-tech, high-value-added products such as computer memory chips, VCRs, machine tools and television sets. In contrast, in the United States, where there is little governmental encouragement or cooperation, our world market share of high-value-added products has eroded. We are doing better in maintaining market share in lower-value products such as wood pulp, chemical feedstock and pork bellies. As a result, the Japanese are garnering much greater cash returns from their exports to us than vice versa.

I am reminded of something my father taught me when I was growing up on a farm in Nebraska. He raised mules, and sales for cash were rare. The usual transaction was a trade, a mule for a mule, plus some cash. The lesson he drilled into me was that the winner in the long run is the one who gets the cash.

In our trade relationship with the Japanese, Japan is getting most of the cash, which it is using to buy up choice U.S. real estate, to establish plants here and, lately, to buy U.S. companies.

Even more threatening to our future economic well-being is the current aggressive Japanese program under the aegis of the governmental Agency for Industry and Technology (AIT). AIT is implementing a broad plan covering every field of technology important to Japan in the long term. Leaders from industry, government and academia are cooperating to develop and implement plans designed to assure Japanese domination of these fields. Unless the United States vastly expands cooperation to use our resources more efficiently, Japanese success is foreordained.

Finally, another misconception is that improving the business climate by lowering taxes and reducing regulation is all that is required. While these actions are desirable, they are not a substitute for the Greater Minnesota Corporation.

Look at the benefits from cooperation gained by participants in the Microelectronics and Computer Technology Corporation (MCC) in Austin, Texas. This is a consortium of 20 large companies, mainly in the semiconductor and computer fields. Each dollar a participating company invests in an MCC research project produces an estimated \$5 worth of research results.

Unfortunately, there are too few cooperative efforts in our country. America has yet to establish a culture of cooperation — we are more prone to compete than cooperate. We were able to afford this until most U.S. markets became open to the rest of the world. Unfortunately, it is still business as usual here while Japan cooperatively pools its resources against us. The bottom line is that until we learn to cooperate, we will continue losing competitive battles with Japan.

It takes a catalyst to get cooperation started. The federal government performs that function in Japan. In our society, public-private organizations like the GMC are more appropriate.

In order for the Greater Minnesota Corporation to catalyze cooperation, it needs the support of all Minnesotans. In other words, let's all cooperate to support the GMC, which, in turn, will foster cooperation to help expand innovation that will create more and better-paying jobs. In the long run, this is the only way we will be able to compete with Japan and other foreign countries.

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