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Reich: Twin Cities well-suited for new global economy

Bipasha Ray Star Tribune

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The Twin Cities area is well-suited for the new global economy and has several important advantages over the coastal technology dens, according to a former U.S. Labor Secretary.

The Twin Cities has a skilled reliable work force and remains a hotbed of innovation, said Robert Reich, who was in Minneapolis Wednesday to speak at a luncheon sponsored by iXmatch.com, a Bloomington company that counts Reich as a board member.

Reich said Minnesota is flourishing in the "new economy" because of some advantages that area businesses have over such high-tech hot spots as Silicon Valley and Boston, including higher employee retention and a lower cost of living.

"In San Francisco and in Silicon Valley, a talented employee will be poached by another company instantly. But here once you get an employee, the employee is likely to stay longer because there are not so many other companies in the exact same sector as the high-tech companies," said Reich, who is a professor at Brandeis University in Waltham, Mass.

According to Reich, the region's good schools, sound infrastructure and affordability for young families and professionals provide fertile ground for dot-com and high-tech companies.

Another important factor in the outlook for technology in the Twin Cities is a growing expertise in this area in what Reich calls "collaborative filtering." This involves software that uses information and formulas to extrapolate other characteristics of users, including finding the best person for a job. "When the Twin Cities begins to develop a particular critical mass of people who understand a particular technology, this acts as a magnet for other people around the country," he said.

iXmatch provides software that matches an individual's skills to job requirements. Job candidates submit their profile to the iXmatch database; then corporate clients searching for employees with specific skills select the best candidate from given choices. The software also ranks candidates according to skills and experience.

In other comments to the luncheon crowd Wednesday, Reich said the most important ingredient of longevity in the new economy is innovation, which is vastly different from the older economic strategy that placed cost cutting and mass production at the top. "The key business strategy is not only cost cutting, but innovation, and innovating like mad," Reich said.

He compared the new economy with the 1980s economy and said that 20 years ago, it was believed that an unemployment rate below 6 percent

would touch off rampant inflation. But the unemployment rate has been about 4 percent for the past two years, with no sign of accelerated inflation.

"Why is today's economy so different? Why has the economy done so well in the last few years? I wish I could attribute this solely to the Clinton administration and I cannot. About 60 percent of the current expansion, in terms of it being vigorous and continuing, is due to technology," said Reich, who was Labor Secretary in President Clinton's first administration.

He also said that it is difficult to draw a clear line between the old and new economies, because companies with roots in the old economy are using the technologies of the new economy. "The Internet has changed or is in the process of changing almost every job here in the United States," Reich said. "And every old economy business is turning into a new economy business; and they had better."

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THE ECONOMY

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Reich: Area well-equipped for new global economy

By Bipasha Ray
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Star Tribune photo by Brian Peterson
 Former U.S. Labor Secretary Robert Reich spoke Wednesday at a lunch sponsored by iXmatch.com, a Bloomington company of which he is a director.