

BROOKINGS

Report

Clusters and innovation districts: Lessons from the United States experience

Martin Neil Baily and Nicholas Montalbano Tuesday, May 8, 2018

Editor's Note:

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Policymakers who wish to increase the growth of their economies and promote employment and the creation of well-paid jobs must understand the role played by place and geography and incorporate this understanding into their policy decisions. Universities who wish to commercialize their research, and businesses that wish to be more innovative, can also take advantage of place and geography.

Clusters are geographic concentrations of interconnected businesses, suppliers, and associated institutions. They can contain anchor institutions, small firms, start-ups, business incubators, and accelerators.

The key driver in the formation of clusters or districts is that firms and researchers benefit from locating near each other, which is an extensively studied phenomenon in the economic development literature. The value placed on geographic proximity is of high importance given that innovation is a deeply human and creative endeavor that requires personal networks and trust that can be built more easily with diverse and talented people close together. Clusters (or innovation districts) have been found to increase the innovation levels, efficiency, and productivity with which participating companies can compete, nationally and globally.^[1]

In “Clusters and innovation districts: Lessons from the United States experience” (PDF), Martin Neil Baily and Nicholas Montalbano examine and analyze the nature of clusters and innovation districts and draw lessons for policymakers and local actors involved in

developing the clusters, such as universities, businesses, and local leaders.

There are many successful clusters in the United States and policymakers—universities and local leaders have contributed to that success. All levels of government—local, state, and federal—have played a role in supporting and developing these clusters, and non-profit and philanthropic support has been valuable also.

Among the factors essential to the development of these clusters, the authors find:

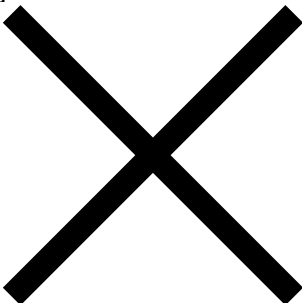
- Local leadership is essential. Successful clusters generally have a strategic plan that identifies a strong and capable leadership team. In turn, this team identifies a core competency around which the cluster will be built.
- All levels of government, from the federal to the local level, should support collaboration and cluster development, including start-up funding, funding for infrastructure development, or funding in the form of R&D support.
- It is helpful to a nascent cluster if the government is a buyer of the sophisticated products or services created in the cluster. Mapping out the market and the buyers should be part of the strategic plan for the cluster at the outset.

Read the full paper, including all of the authors' recommendations, [here](#).

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Footnotes

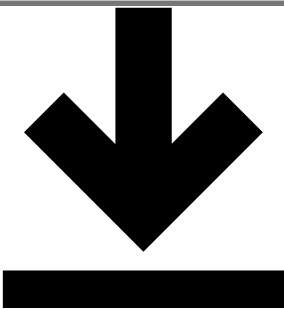
1. ¹ Porter, M. (1998). *Clusters and the New Economics of Competition*. [online] Harvard Business Review. Available at: <https://hbr.org/1998/11/clusters-and-the-new-economics-of-competition> [Accessed 6 Dec. 2017].



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