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## **New Study Finds Bay Area Economic Strengths and Risk of Erosion**

**SAN FRANCISCO, May 6, 2010** —The Bay Area Council Economic Institute today released “Recession and Recovery: An Economic Reset” the seventh in its semi-annual series of Bay Area Economic Profile reports analyzing the Bay Area’s economy.

The report finds that in the face of the worst economic downturn in decades, many of the perennial challenges that pose a threat to the economic success of the Bay Area have come into stark relief. Sean Randolph, President & CEO of the Economic Institute, observed that “the dramatic losses in jobs, trade and home values of the last two years are now matched by visible quality drops in education, infrastructure and the ability of our public institutions to make critical decisions. This seriously impacts the region’s economy, requiring renewed and decisive action.”

The most immediate threat to the region comes from the state’s broken governance system, which affects the fiscal viability of local governments, and investment in the infrastructure and education base on which the long term success of the region’s economy depends. Lenny Mendonca, Chairman of the Institute and a Director at McKinsey & Company in San Francisco, stressed the gravity of the state-level challenge: “The failure of California’s governance system to make critical investments, produce budgets that fund critical services, balance revenues and expenditures, and embrace necessary reforms threatens our economic prosperity. For our economy to avoid the economic shoals, we need innovation in the public sector with the same energy and spirit we’ve demonstrated in the private sector -- coupled with a willingness to do things differently. ”

In addition to the governance and economic challenges, the study zeros in on two related trends. These are the ability of the region to both generate and attract the skilled workforce it requires. Underperformance in the K-12 system, financial pressures on community colleges and public universities stemming from the State’s budget crisis, and a federal immigration system that pushes away many of the skilled and educated immigrants on which the Bay Area economy has historically relied signal a troubling trajectory.

Still, many of the region’s competitive economic strengths have come through the recession intact. These include high rates of productivity, a high concentration of Fortune 1000 and Global Fortune 500 companies, a highly educated workforce, an innovation engine supported by world-leading research laboratories and universities, and an out-sized share of national venture capital investment reflected by strength in emerging sectors such as clean tech. Add to this and deep global connections, particularly with Asia, and the region has a strong foundation for economic recovery.

These advantages cannot be taken for granted, however. Jim Wunderman, President & CEO of the Bay Area Council, said “Despite their extraordinary assets, California and the Bay Area will soon cross an economic line if citizens and their governments fail to come to grips with these challenges. With global competition increasing, we need an economic environment that continues to generate competitive companies, high quality jobs, a tax base for local government, and a setting where all our residents can prosper. We’re looking at an economic reset and are going to need a strategic approach along with real public and private leadership to ensure a strong and sustainable recovery.”

### **About**

The Bay Area Council Economic Institute is a partnership of business with government, labor and higher education, that works to ensure a vibrant and competitive economy in the region and the state, through fact-based analysis and public-private collaboration. The full report can be downloaded from the Economic Institute’s website at [www.bayareaeconomy.org](http://www.bayareaeconomy.org).