

Western New England Law Review

Volume 30 30 (2007-2008)

Issue 1 SYMPOSIUM: CURRENT ISSUES IN
COMMUNITY ECONOMIC DEVELOPMENT

Article 4

1-1-2007

KEYNOTE

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Recommended Citation

Andrea Silbert, *KEYNOTE*, 30 W. New Eng. L. Rev. 61 (2007), <http://digitalcommons.law.wne.edu/lawreview/vol30/iss1/4>

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KEYNOTE*

ANDREA SILBERT†

I want to talk a little about why I think, right now, community economic development is more important than ever, and in doing so, particularly focus on what is going on in Massachusetts. I know some of you are from other states, but what is going on in Massachusetts is similar to what is going on in many other northeastern states as well as in states that are very advanced in terms of their economies.

But first, I would like to give you some of my background and to describe my evolution to an entrepreneur and social entrepreneur. I grew up in Brookline, Massachusetts, right outside of Boston. My mother and father are both physicians. They are both civil servants that decided to serve their country by working at the Veteran's Administration after medical school. Therefore medicine was all I knew. However, I also was familiar with public service because, clearly, that is a big theme in working for the government. Other than that, all I knew was medicine. I was a good student in high school. Math and science were my strongest subjects, so it was assumed I would become a doctor.

After high school, I took my good grades and went off to college. I was fortunate enough to go to Harvard. I went there assuming I would be a doctor. However, I realized, quite early on, that I was not that good at chemistry or biology. I think this is a realization that many kids do not grasp early on; you should do what you are good at.

* These remarks were delivered by Ms. Silbert at the Current Issues in Community Economic Development Conference held at the Western New England College School of Law on March 30, 2007.

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When I came home from college I told my mom, "I'm not going to be pre-med." She questioned, "Why not?" "Because I hate chemistry," I responded. She replied, "Well, I hated chemistry too." I countered, "Yeah, you got an A, and I got a C. So I think this is a sign that I should find what I love to do." What I really loved was entrepreneurship.

My first exposure to entrepreneurship was in college. I think it is very important that all students have exposure to entrepreneurship as early as high school, which I did not have, and also in college. Yet, my entrepreneurship exposure did not come through a curriculum. In fact, I believe that even today, many liberal arts schools shun entrepreneurship as a part of their curricula. My interest in entrepreneurship was peaked when I started working at Harvard Student Agencies. Does anybody know the *Let's Go* travel books?¹ They are written by students.²

Harvard has a five million dollar nonprofit organization run by students that publishes the *Let's Go* travel books, has a catering agency and a moving company, and supplies refrigerators to students living on campus.³ That was where I acquired my love for entrepreneurship, which was a very important gain. What you are doing here is so important—exposing kids to entrepreneurship, whether they are going to be artists, nurses, or doctors. We all have to think creatively. We all have to think entrepreneurially. Everyone needs to be exposed to entrepreneurship.

There I was at Harvard Student Agencies. I loved the organization and ended up becoming the president. At that time it was about a two million dollar business. We employed 1200 people, largely students, and a few grown-ups (as we called them at that time), who were there year after year. One important aspect about having a business run by students is that your workforce turns over every year.

I decided that this is what I wanted to do; I wanted to be an entrepreneur. I was certain that if I did want to run my own business, the most useful degree that I could obtain was one in finance. The mideighties, when I graduated from college, was the first time

1. Let's Go Travel Guides, About Let's Go, <http://www.lets-go.com/about/history.php> (last visited Aug. 27, 2007).

2. *Id.*

3. Harvard Student Agencies, Inc., Our Agencies, <http://www.harvardstudentagencies.com/corporate/agencies.asp> (last visited Aug. 27, 2007). Harvard Student Agencies Rentals rents equipment, such as microfridges, refrigerators, TVs, VCRs, fans, and water coolers, to undergraduate and graduate students. *Id.*

that women, in any significant numbers, were being accepted on Wall Street. I went to Wall Street with a bunch of my girlfriends, worked in finance, and truly learned a great deal. I also realized that I was a true entrepreneur. I did not belong in a large organization. I harkened back to my childhood, where my parents had drilled into me the importance of public service, and realized that I like finance. I needed to couple my interest in business, entrepreneurship, and finance with my strong desire to be a part of the solution and make a difference in people's lives.

After a two-year stint on Wall Street, working at Morgan Stanley, I had been accepted to Harvard Business School but I deferred for a year and went overseas. I started thinking, "What did I really like in high school?" I was always very interested in languages and in what was going on in Latin America, so I spent a year in Costa Rica working in international economic development. Afterwards, I came back and earned an MBA at Harvard and my masters in public administration.

I remember how, at the time, I was contemplating public policy and politics and thinking, "Wow, you know, I could go into politics after I graduate from the Kennedy School, but what would I be drawing on? What would I know?" I think it is so important for people to get out there and work in whatever their field is. Later, they should run for office and make a difference by bringing forward public policy based on their own personal experience.

After graduate school I went back to Latin America. This time I went to Brazil where I had a fellowship working with a nonprofit organization that was working with young girls who were living on the streets, some of whom were prostituting themselves. This nonprofit was trying to get them off the street and into jobs. What I came to do was help them create a couple of businesses—one was a catering business and the other was a sewing business. These jobs were created to get the street girls legitimate employment and help them get off the streets. That was probably one of the best experiences of my life, even though we could not get much done because we were operating in a particularly difficult context. That is why I keep coming back to public policy and politics. You have to understand the context we were in, in Brazil. The president at that time had been impeached.⁴ They had 2500% inflation every

4. *Brazil Ex-Chief Acquitted in Bribe Case*, N.Y. TIMES, Dec. 13, 1994, at A, available at 1994 WLNR 3565194 (Westlaw).

year.⁵ So here we were trying to make microchange to help improve the lives of people, create businesses, grow an economy, and, in the end, we were just fighting in this larger context. Essentially, we were rolling snow up a hill.

What I learned by going abroad is how much we have to work with here in the United States and how much class mobility there is here. There is no class mobility in Brazil. I came to think, "Shame on us in the United States, in Massachusetts, and in our communities, where we have class mobility, where people can be born poor and become wealthy and create businesses and jobs. Shame on us if we are not doing something about it." So I came back with a lot of patience and a real sense of hope and optimism of what we could do here, especially in my areas of interest: microenterprise, entrepreneurship, and enterprise development.

I came back in about 1994, and I worked in Roxbury for a year at a community development corporation. At the time, I was writing the business plan for what became the Center for Women & Enterprise. The Center was launched in 1995.⁶ The mission of the Center was to help women start and grow their own businesses through entrepreneurship, and to empower women to become economically self-sufficient and prosperous.⁷ We all have to realize that it is not just about economic self-sufficiency. I would estimate that from 1995 to 2005 the Center had helped 10,000 individuals, both women and men (you will be happy to know we don't discriminate), and those entrepreneurs in turn have created 14,000 jobs and four hundred million dollars in new wages.⁸

I think we all know this: The great thing about helping people start businesses or grow businesses and create jobs is that those wages are there every year and it grows exponentially. Moreover, from those wages, the towns and states receive taxes that go back into the budget and help us pay for everything else.

As an entrepreneur, I was at the Center from 1995 to 2004; I was there for nine years. We started in Boston; then we opened

5. James Brooke, *Brazilians Get Serious on Inflation and Deficit*, N.Y. TIMES, Mar. 3, 1994, at D2, available at 1994 WLNR 3555145 (Westlaw).

6. Ctr. for Women & Enter., About Us, <http://www.cweonline.org/content/section/5/38/> (last visited Aug. 27, 2007).

7. Ctr. for Women & Enter., Our History, http://www.cweonline.org/index.php?option=com_content&task=view&id=25&Itemid=38 (last visited Aug. 27, 2007).

8. Ctr. for Women & Enter., About Us, *supra* note 6 (stating the Center has served over 13,000 women, "[h]elped entrepreneurs create over 16,000 new jobs," and "[g]enerated more than \$470 million in wages").

centers in Worcester, Massachusetts, and in Providence, Rhode Island.⁹ After that, I decided it was time to move on. I often joke that entrepreneurs have a shelf life. Figure out what your shelf life is. I thought that nine years was a pretty long time. I always measured my years in dog years, so I figured it was more like sixty-three years that I had been at the Center. So after my sixty-three dog years there, I decided to move on. I had a goodbye party that was very interesting. At my goodbye party many people approached me and said, "I'm ready to work on your campaign." I said, "I don't have a campaign; in fact I don't know what I want to do next." And they said, "Well get one. Get a campaign. Run for office. Make a difference."

When you think about it, over the course of the first ten years, the Center helped 10,000 people directly. Just taking a rough approximation let us say those 10,000 employees had ten family members each. Therefore, let us multiply the 10,000 by ten. So we were impacting 100,000 lives. How do you take that to the next level? How do you impact millions of lives? You have got to change the context. You have got to get involved in public policy.

So I decided that, that was the direction I would go in. However, what was I going to run for? Economic development, we all understand, happens in a region. People said, "Why don't you run for state representative or for state senator?" The answer is that it is hard to make a big difference in those positions if you are looking at public policy solutions. You have got to look broadly. In my opinion, we actually need to look not only at our state, but at the entire region and try to make our region vital.

So I decided I would run for lieutenant governor. Some people asked, "Why don't you run for governor?" I said, "I'll give you eight million reasons." But I will tell you that I was glad that I did not have the eight million dollars that it would take to run for governor because it is tough. Running for office was tough, but it was a great experience. I did not end up winning, which is why I am here with you today, so that is a good thing. My daughter said that I won third place. The more I think of it, I have a master's degree and it was still an amazing learning process. I was in the race about eighteen months, traveling the state and talking with people, learning about the interconnectedness of issues. So it is just an incredible process.

9. Ctr. for Women & Enter., *Our History*, *supra* note 7.

Like any entrepreneur, I started by figuring out how to run for office, and figuring out what the pressing issues were in Massachusetts. I am a person with a degree in finance. I am an entrepreneur; but I am an entrepreneur who learns analytically. I learn through numbers. And, again, I encourage everybody; you have got to understand the numbers. So I said, "I need to understand the numbers. What is going on in Massachusetts? What, if you will, is our business model?" One of my very first meetings was with Michael Widmer. Some of you might know Mike Widmer of the Massachusetts Taxpayers Foundation. I said to him, "Take me through the numbers." It was pretty straight forward.

Massachusetts had a revenue model that was declining and a cost basis that was increasing. So Massachusetts's revenues are going down because its jobs are going down. At that time, 2005, Massachusetts was down almost 170,000 jobs from its high in 2001.¹⁰ This meant that Massachusetts had about five hundred million dollars less in the budget to pay for everything that it needed each year. At the same time, costs were going up—health care and pension costs were rising. It was not a sustainable business model. I said, "It's so obvious, the only thing we can do is create jobs. We have to do that." He replied, "I know, it's so obvious and nobody talks about it." I decided, "Well this is what I am going to talk about."

So I became the "jobs lady." I was out there talking about jobs. I talked about jobs as a mother with three children in public school. I understand that to pay for schools you have got to create jobs. Again, that comes back to what we all do, community economic development. We really have to explain how jobs and economic development pay for everything else. We also have to understand how other factors, such as schools and public safety, feed into our ability to build healthy communities.

Jobs are the number one source of revenue in the state budget.¹¹ Jobs create the wages. We tax wages at 5.3% and that is the number one source of revenue.¹² There are other sources of income, of revenue in our budget, such as capital gains taxes, but

10. U.S. Dep't of Labor, Bureau of Labor Statistics, Employment, Hours, and Earnings, <http://data.bls.gov/cgi-bin/surveymost?sm+25> (check box "Massachusetts, Total Nonfarm, Seasonally Adjusted;" select "Retrieve Data") (last visited Aug. 27, 2007) (stating that in February 2001, the number of nonfarm jobs in Massachusetts was 3,384,000, whereas in December 2005, jobs were down to 3,223,300).

11. MASS. GEN. LAWS ch. 64H, § 4 (2006).

12. *Id.*

jobs are foundational. If you create jobs, again, year after year, you have got that money.

So we needed to change the business model of our state. Controlling costs, I am just going to throw this out there, is a whole other lecture, and a whole other conversation. However we know what to do to control costs. We do not always have the political will to do it. People know what to do to fix our schools. People know what we need to do to hold down health-care costs. Not that it is all so straight forward. I would say that one of the things that is really missing is political will. Again, that is why I keep encouraging people to run for office. We need people to run for office who do not necessarily want to hold office. People who are going to go, tell the truth, serve for however long it is—four years, eight years—take on political interests, and try to make some changes. If they get voted out, so be it. That is the only way you are going to be able to control costs.

But most of what I would like to talk about is growing revenues because that is what we all do. How can Massachusetts compete? So the first step is to figure out what is going on. How are we going to create jobs? What is going on? Why are we down 170,000 jobs? What happened in Massachusetts, and what continues to happen, is that businesses get started here. We have all sorts of entrepreneurs that are starting businesses all over the state, many in the greater Boston area, many out of MIT, many out of all of our universities, and they get started here and they do not grow here. I will give you a great example of a client of the Center for Women & Enterprise.

Has anybody heard of iRobot?¹³ Has anybody seen those Roomba Vacuum cleaners?¹⁴ That is a Massachusetts company. Two entrepreneurs out of MIT, two engineers, started it in college—Helen Greiner and Colin Angle.¹⁵ Helen came into the Center for Women & Enterprise sometime around 2001 and said, “I’ve got these robots.” They were only being used for defense purposes. They had been doing minesweeping in Afghanistan and Iraq. She said, “So we have them built for the military, but we want

13. iRobot Corp., Robots, <http://www.irobot.com/sp.cfm?pageid=95> (last visited Aug. 27, 2007).

14. iRobot Corp., About Roomba 500, <http://www.irobot.com/sp.cfm?pageid=122> (last visited Aug. 27, 2007).

15. iRobot Corp., iRobot at a Glance, <http://www.irobot.com/sp.cfm?pageid=203> (last visited Aug. 27, 2007). iRobot was co-founded by Colin Angle, Helen Greiner, and Rodney Brooks. *Id.*

to have robot vacuum cleaners.” Everyone had previously laughed her out of the room. But she came in and we helped her put a business plan together, and helped her to make a pitch to venture capitalists. She raised thirteen million dollars and today iRobot is a public company.¹⁶ It employs about two hundred or so engineers in Burlington.¹⁷ But it does not manufacture those robots locally, it manufactures them in Ohio.¹⁸ However, Massachusetts can now compete with Ohio. We might not be able to compete in Boston, but we can provide a competitive cross-structure in western Massachusetts and southeastern Massachusetts. We have got to figure out how we can compete with Ohio. We have to keep those jobs in state.

Many of these companies are just opening up out of the state or in Rhode Island, New Hampshire, and Ohio because they are chasing their workforce. We have to figure out how to keep our workforce here and how to have a more competitive cost of doing business. One of the fundamental issues in keeping a workforce in Massachusetts is the high cost of housing. When you think about it, if a Springfield business creates a dollar, it pays a dollar of wages, and it gets taxed. Those same taxes go back to Beacon Hill to the budget. It does not matter where a dollar is being created. We have to think much more broadly about economic development in Massachusetts. We have to bring underutilized assets into the economy. So, to some degree, the greater Boston area has a high cost of housing; therefore people are leaving the state. But we can keep them here because we have affordable housing in many other communities. We have got to figure out how to keep people here and how to bring underutilized assets into our economies, which are in our many cities and towns that are outside the greater Boston area. I think, that is really where the importance of community economic development comes into play.

I spent quite a bit of time actually out in Pittsfield when I was running for office. I take Pittsfield as a great example of where you could buy a home for a couple hundred thousand dollars and have

16. See iRobot Corp., Investor Relations, <http://investors.irobot.com/index.cfm> (last visited Aug. 27, 2007) (stating iRobot is traded publicly on the Nasdaq).

17. See iRobot Corp., Offices/Directions, <http://www.irobot.com/sp.cfm?pageid=89> (last visited Aug. 27, 2007) (listing iRobot's Corporate Headquarters in Burlington, Massachusetts).

18. See Robert Barker, *A Robot that Could Hit a Wall*, *BUS. WK.*, Sept. 5, 2005, available at 2005 WLNR 13743372 (Westlaw) (“iRobot[] reli[es] on a single Chinese contract manufacturer for its consumer products and a sole Ohio maker for its military robots.”).

such a great quality of life. There is a bit of a chicken and the egg problem. When I talked to Helen Greiner at iRobot I asked her, “When you expand would you think about setting up a plant in Pittsfield? They are trying to build their manufacturing back up.” She said, “Well the work force isn’t there.” It is a bit of the chicken and the egg and this is where we really have to think about how everything intersects in community-economic development.

So how do we drive economic development in our communities? The first thing that is so important, which I saw in Pittsfield, and I am hopeful they might be on the cusp of, is a plan. When I met with the Mayor of Pittsfield, Mayor James M. Ruberto, he said, “We’ve got a plan. We’ve brought everyone around the table. We benchmarked four other cities.” I think one was Burlington, Vermont, and another was Saratoga Springs, New York. They have really taken a very comprehensive look. They said, “We’ve got a plan and we are going to look at growing an arts industry, education, precision manufacturing, and tourism.” They brought everyone around the table and I think that is what is so important about a plan. It is not just the end product, but who is at the table.

Another key component is leadership. You have to have somebody who does not care about vested interests and the status quo, and is willing to shake things up. I believe hierarchy actually works. I think you have to have a mayor (or whoever your city or town is led by), who has a vision, and is giving life to it, and is breathing life into it every day. That also is what entrepreneurs do when they build companies.

The first element is having a plan. You cannot hit anything if you do not know what you are aiming for. The second is, you need a community that will attract and retain talent—entrepreneurs or people that will be working in the businesses. The workforce is mobile and what we have learned is that young families want communities that are livable, not only with great schools, and that are safe with safe streets, but with culture. They want multiculturalism. Discriminating or having any kind of prejudice in a community is bad for business. They want restaurants with food from other countries. Revitalizing our main streets is so much more important than just those few businesses and those few jobs. Revitalizing our main streets and rebuilding our communities from the inside out are what attract people to our downtown areas.

Another great opportunity out here, in many of our communities, is turning problems around in terms of the housing costs. We

have many people who are working in Boston who cannot afford homes. They are moving further and further out. Instead of thinking of how we can continue to build more and more homes in the Boston area, we should be thinking about how we can use public transit so that easy, economical, and environmental transportation is available to those people moving further out. They might, for the time being, live out in Springfield and take public transit or the train into work, if we are so lucky to have a train soon. However, over time this dynamic brings new people and new ideas to areas outside Boston, and revitalizes the communities and gets people invested in them.

The third thing that we really need is a trained workforce. We need to look at our education. We need to focus on preschool, K-12, and math and science. We have to look at charter schools and innovation. Everything needs to be on the table.

The fourth aspect is thinking about our economy regionally. You know Providence has really taken off;¹⁹ not just because they have done all the right things on the ground—which they have. It has also taken off because it understands it is central to Boston and it has attached itself to Boston. Boston is thriving. The jobs are not growing as much, but it will always have the life sciences, the academics, and the universities. We have got to all connect, not just to Boston, but to the rest of New England and understand how economic development happens in our region.

Lastly, in each of our communities, there are underutilized assets. I think that all of these cities outside of greater Boston are themselves underutilized assets. Yet, in each of these cities, women, immigrants, people of color, and people who are economically disadvantaged are left out. If you bring them in, it is so much easier to “grow the pie.”

These are just a few of my thoughts on economic development, the centrality of economic development. Finally, I think that across all of the areas, finding the entrepreneurs in your communities is so important. When entrepreneurs throw up a sail, they have done the hard work. If we get wind in that sail, we all move together much more quickly.

19. U.S. Dep't of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, http://stats.bls.gov/eag/eag.ri_providence_mn.htm (follow the “Back Data” hyperlink next to the “Employment” hyperlink) (last visited Oct. 6, 2007) (stating that employment in Providence-Fall River-Warwick, Rhode Island in January 2007 was 671,618, an increase of almost 70,000 jobs from January 1997 when it was 606,422).