INNOVATION ECONOMICS: THE RACE FOR GLOBAL ADVANTAGE

Rob Atkinson
The Information Technology and Innovation Foundation
Today’s Presentation

1. What’s the Diagnosis?
2. What’s the Cause?
3. What’s the Solution?
4. Overcoming the Hurdles
5. Getting Inspired to Win
Ride the Fast Track to Real Estate Success
The Well of Investment Dried Up
As We Went From Making Things to Making Money
Investment Fell, Housing Boomed

Source: Innovation Economics, ITIF, 2012
Growth in Private Investment in Equipment & Software Has Been Stagnant

Source: Bureau of Economic Analysis
Venture Capital Shrunk (Share of GDP)

Source: Innovation Economics, ITIF, 2012
IPOs Shrank (as a Share of GDP)

Source: Innovation Economics, ITIF, 2012
Outward FDI Grew, Inward FDI Shrank

U.S. Corporate Outward FDI

Foreign Corporations’ Inward FDI to the U.S.

(last half of ‘90s to first half of 2000s)

Source: Innovation Economics, ITIF, 2012
Major U.S. Industrial Manufacturing Relocations and Significant Expansions Shrank

Source: Innovation Economics, ITIF, 2012
As the U.S. Trade Deficit Exploded

Source: Innovation Economics, ITIF, 2012
And Manufacturing Employment Crumbled
All States But One had Manufacturing Losses, 2000-2010
Most Metropolitan Areas Saw Manufacturing Job Losses

Source: *Worse than the Great Depression*, ITIF, 2012
As a Result, U.S. Manufacturing is Less High-Tech Than Most Competitors

Source: International Benchmarking of Countries’ Policies and Programs Supporting SME Manufacturers, ITIF, 2011. Data from OECD.
U.S. Lags Behind in Innovation Progress (2000-2011)

Source: *The Atlantic Century II*, ITIF, 2011
Today’s Presentation

1. What’s the Diagnosis?
2. What’s the Cause?
3. What’s the Solution?
4. Overcoming the Hurdles
5. Getting Inspired to Win
Companies Went From Shopping the States...
To Shopping the World
U.S.-Headquartered Manufacturing Foreign Capital Investment Doubled as Share of U.S. Investment

Source: Innovation Economics, ITIF, 2012
Other Countries Sought to Win Through “Good” Innovation Policies
They Have Strategies to Help Innovation Succeed

The High-Tech Strategy for Germany

SCIENCE AND TECHNOLOGY
BASIC PLAN
(Provisional translation)

MARCH 28, 2006
GOVERNMENT OF JAPAN
Select Nations with Innovation Strategies

- China
- Denmark
- Finland
- Germany
- India
- Ireland
- Japan
- Korea
- Netherlands
- Norway
- Portugal
- South Africa
- Sweden
- Taiwan
- Thailand
- United Kingdom
- Uruguay
- United States
But Also “Bad” or “Ugly” Ones
While the U.S. Failed to Respond
U.S. Now a Less Attractive Location for Investment

- Highest corporate tax rate in the OECD
- Lagging high-skill immigration policy
- Faltering education system (23rd in science education)
- Inadequate physical infrastructure (23rd in quality of infrastructure)
- Insufficiently deployed advanced IT application platforms (e.g., smart grid, health IT, etc.)
- Relatively increasing regulatory burden
Growth in U.S. Federal R&D Investment Stagnate

Government R&D as Share of GDP, Percentage Change, 1999-2006

Ireland, Spain, Korea, Russia, China, Canada, EU 15, Singapore, EU 25, UK, Australia, NAFTA, Sweden, France, US, EU 10, India, Japan, Germany, Mexico, Poland, Brazil

Source: ITIF, Atlantic Century 2009
As Has Growth in U.S. Scientists and Engineers
U.S. Ranks 22nd in Government Funding for University Research as Share of GDP

Source: OECD
Today’s Presentation

1. What’s the Diagnosis?
2. What’s the Cause?
3. What’s the Solution?
4. Overcoming the Hurdles
5. Getting Inspired to Win
- Apply the 8 “I’s” of Innovation Policy

- Inspiration
- Intention
- Insight
- Incentives
- Investment
- Institutional
- Info Tech
- International
Inspiration
Intention
Insight: the U.S. is Falling Behind
Incentives
Investment
Institutional Innovation
Information Technology
International
Today’s Presentation

1. What’s the Diagnosis?
2. What’s the Cause?
3. What’s the Solution?
4. Overcoming the Hurdles
5. Getting Inspired to Win
A Failed Washington Economic Consensus
We Need a Washington Innovation Consensus
We Need to Recognize that Manufacturing and Tech are Special
And Overcome Innovation & Competitiveness

- Policy Getting Caught Up in Partisan Conflict
Today’s Presentation

1. What’s the Diagnosis?
2. What’s the Cause?
3. What’s the Solution?
4. Overcoming the Hurdles
5. Getting Inspired to Win
Your Voice Needs to Be Heard
Thank You

Robert Atkinson       ratkinson@itif.org

www.globalinnovationrace.com

www.itif.org