

August, 2013

Winning With Innovation-Based Economic Development

Rob Atkinson,
President, ITIF



The Information Technology and Innovation Foundation (ITIF) is a Washington, D.C.-based think tank at the cutting edge of designing innovation policies and exploring how innovation will create new opportunities to boost economic growth and improve quality of life. ITIF focuses on:

- Innovation “verticals”: energy, life sciences, manufacturing, Internet and information technology, and telecommunications
- Innovation “horizontal”: regulatory, trade, tax, talent, and technology policy
- “Innovation economics” as an alternative to mainstream neoclassical economics

■ Today's Presentation

1

The New Economic Development Environment

2

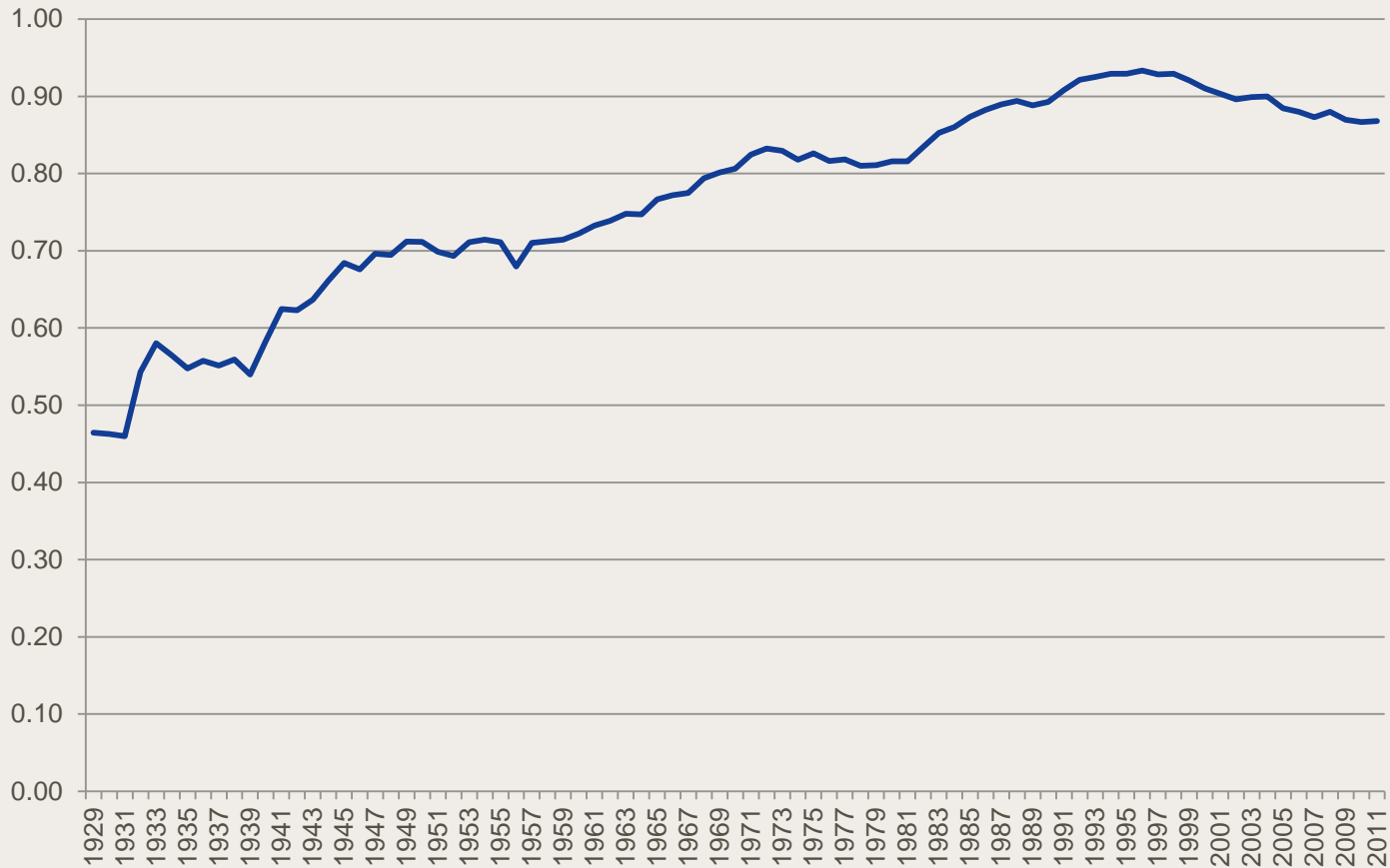
How is North Carolina Doing?

3

The New Economic Development

How Do We Explain This?

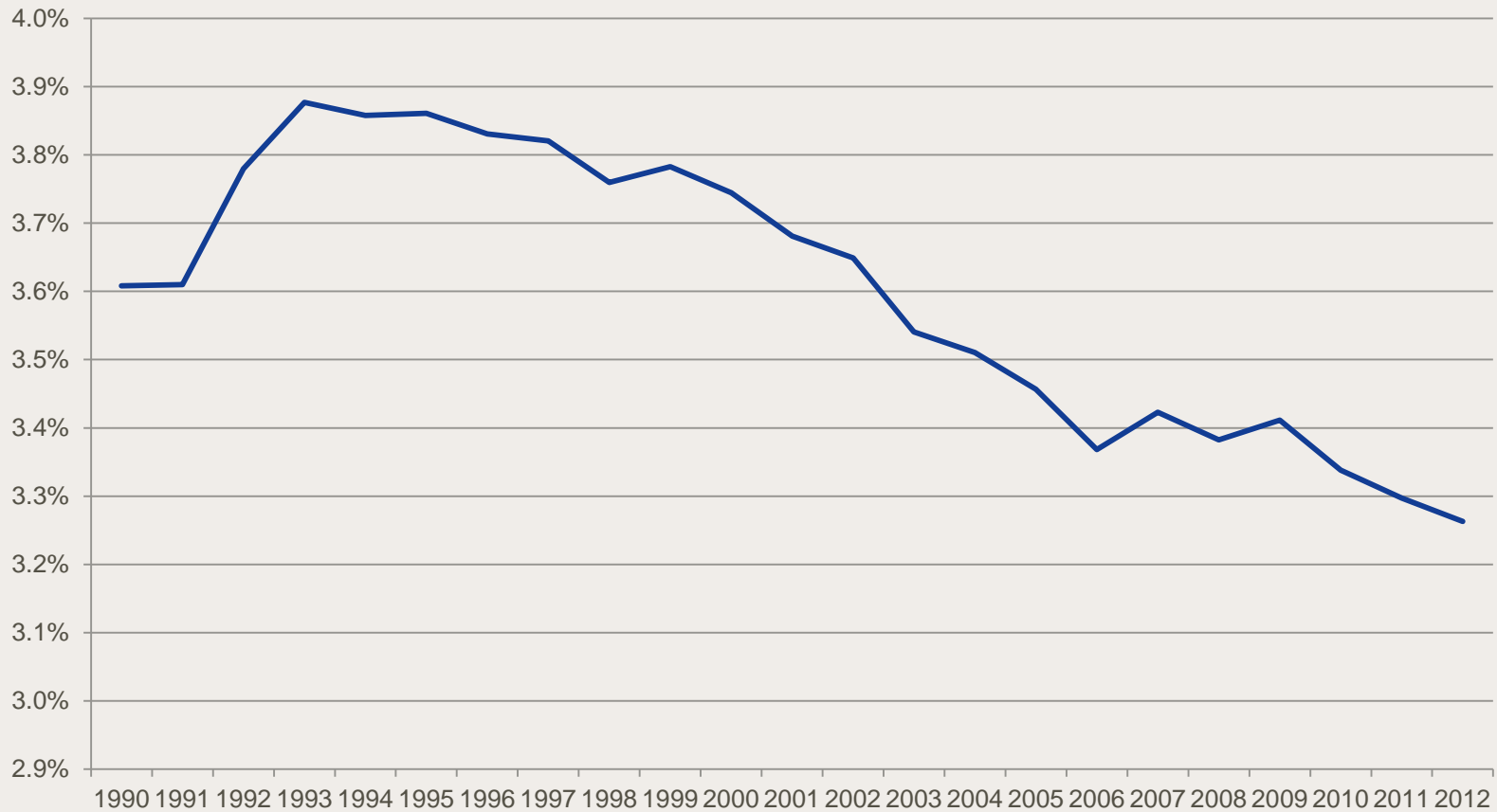
(NC Per-Capita Income as Share of U.S.)



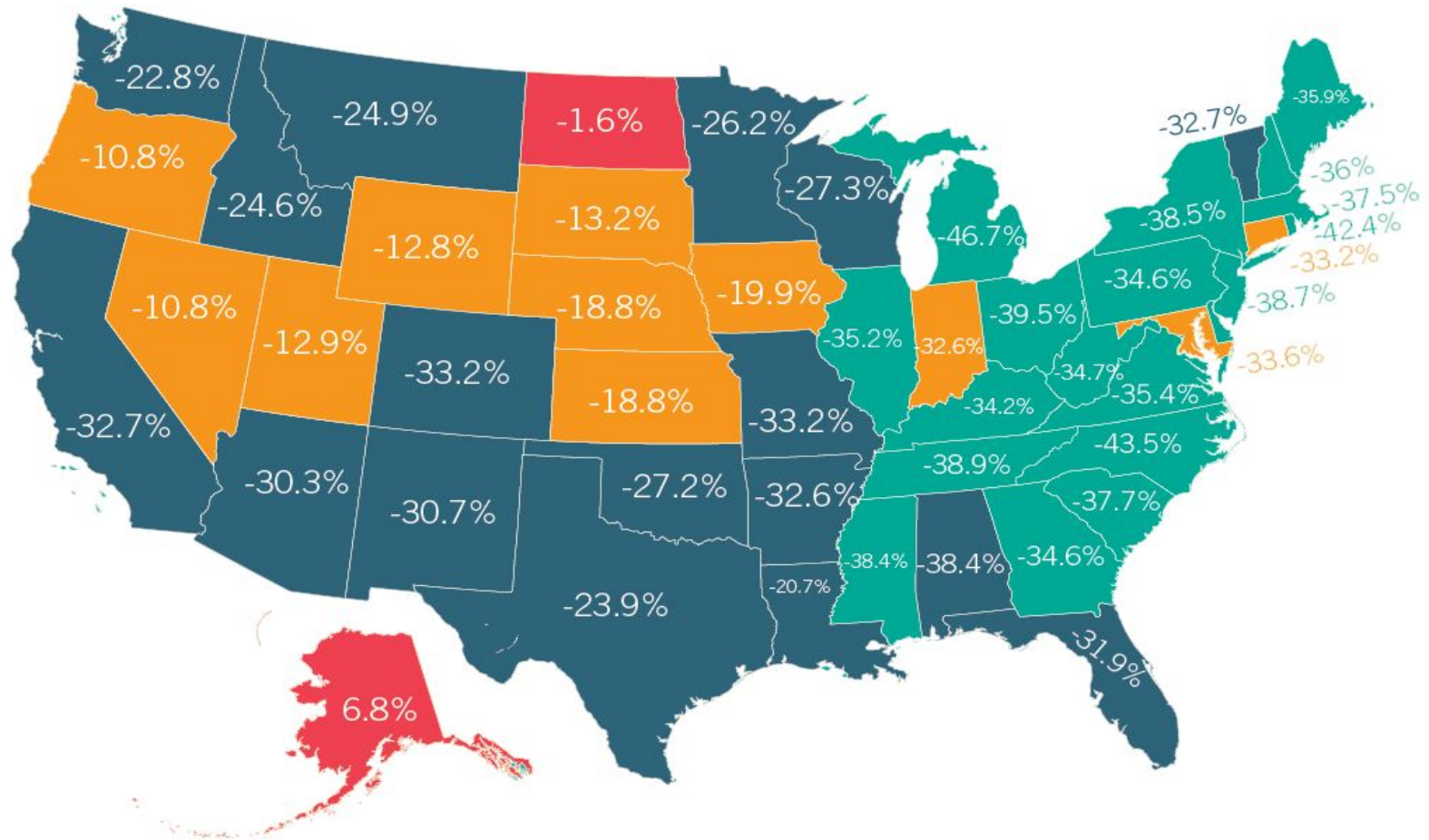
■ Source: U.S. Department of Commerce, Bureau of Economic Analysis

How Do We Explain This?

(NC Manufacturing Earnings as Share of the U.S.)

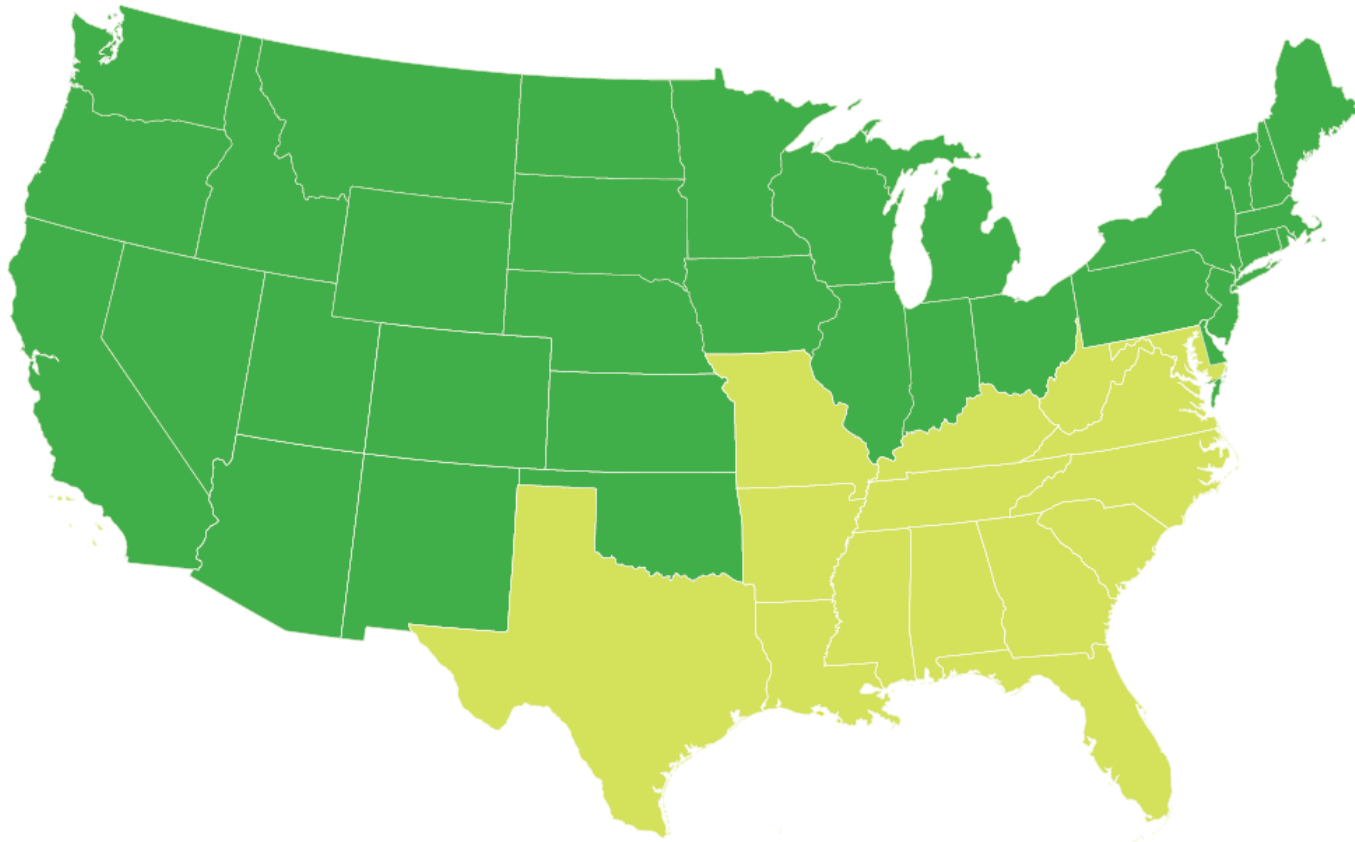


Only Michigan lost a larger share of manufacturing jobs than NC



■ The Old Economic Development Environment

- Competition was national



■ The New Economic Development Environment

■ Competition is International



The Old Economic Development Environment

- Costs were a key driver

Industry's "Sea of Opportunity"

debt-free INDIANA

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DIRECTOR, INDIANA DEPARTMENT OF COMMERCE
19-333 State House
Indianapolis, Indiana

Please send me... *within 45 days*... *of your free 20-page brochure entitled WHY DEBT-FREE INDIANA IS ATTRACTING MORE INDUSTRY THAN ANY OTHER STATE PER CAPITA.*

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ADDRESS _____
CITY _____ STATE _____

The American Ruhr!

... developing the world's greatest conception of electric power... home of the nation's largest atomic energy plant. (Power often is 1/3 of 1% of Indiana manufacturers' total production costs.)

Ohio River carries more low-cost freight than the Panama Canal. Inland waterway freight has tripled since 1946—and already-low costs are destined to come down as much as another 50%!

NO STATE DEBT! Our State Constitution forbids it! In fact, Indiana has millions of dollars in surplus!

NO "NUISANCE" OR "PENALTY" TAX. No net income, no, real estate, corporate or manufacturer's tax! NO tax on receipts from sales to interstate or foreign commerce! Only 1% of 1% on gross receipts from sales for processing, re-sale, etc., not in interstate or foreign commerce; 1% on other receipts derived in Indiana except from sale to ultimate consumer (1/2 of 1%). And Indiana's unemployment tax is far lower than average!

RAW MATERIALS. Low-cost coal. Limestone. Natural gas. "Clay Center of the World." Petroleum. "White Clay," rich in aluminum. Gypsum. Rock asphalt. Dolomite. Fluorspar. Waxes, sand, gravel, wood, corn, soybeans, etc.

23 RAILROADS, 300 MOTOR FREIGHT LINES, 9 airlines, 200 airports, more miles of paved highway per driver and per square mile than any other state—and all paid for!

GOOD LABOR. Responsible, versatile, 97% native, 30% favor government services far higher than nationally. Enforceable strike and lockout records. First in U. S. with labor-management charters.

AND IT'S GOOD TO LIVE IN INDIANA! Superb schools; 29 state and local colleges, universities. Fine housing, moderate cost. Low-cost state and local government. Good climate. Good hunting, fishing, conservation. Over 1000 lakes, streams; 32 famous state parks, forests, beaches. Resorts. Winter sports. Fine public swimming pools, parks, playgrounds, golf courses. And friendly, gracious people!

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■ The New Economic Development Environment

- Innovation and quality are keys



Forward

Indiana is living proof that you can have it all. A place where businesses thrive; where innovation, discovery and success are nurtured — and where you can enjoy a lifestyle second to none. You want honest, hard working, value-driven people? They're here. You want access to leading edge, tech-savvy companies? This is the place. You want a pipeline of bright minds and new thinking? Look no further. Here you'll discover a pro-business culture that has produced some remarkable success stories. Indiana is a hotbed of biomedical innovations, a driving force in information technology and the development of Internet 2, a pioneer in nanotechnology and one of the major exporters in the country. Take a look at all Indiana has to offer. Our advantages are real. Our attitude is progressive.

to learn
more
visit
www.in.gov
or call
1-800-455-3839

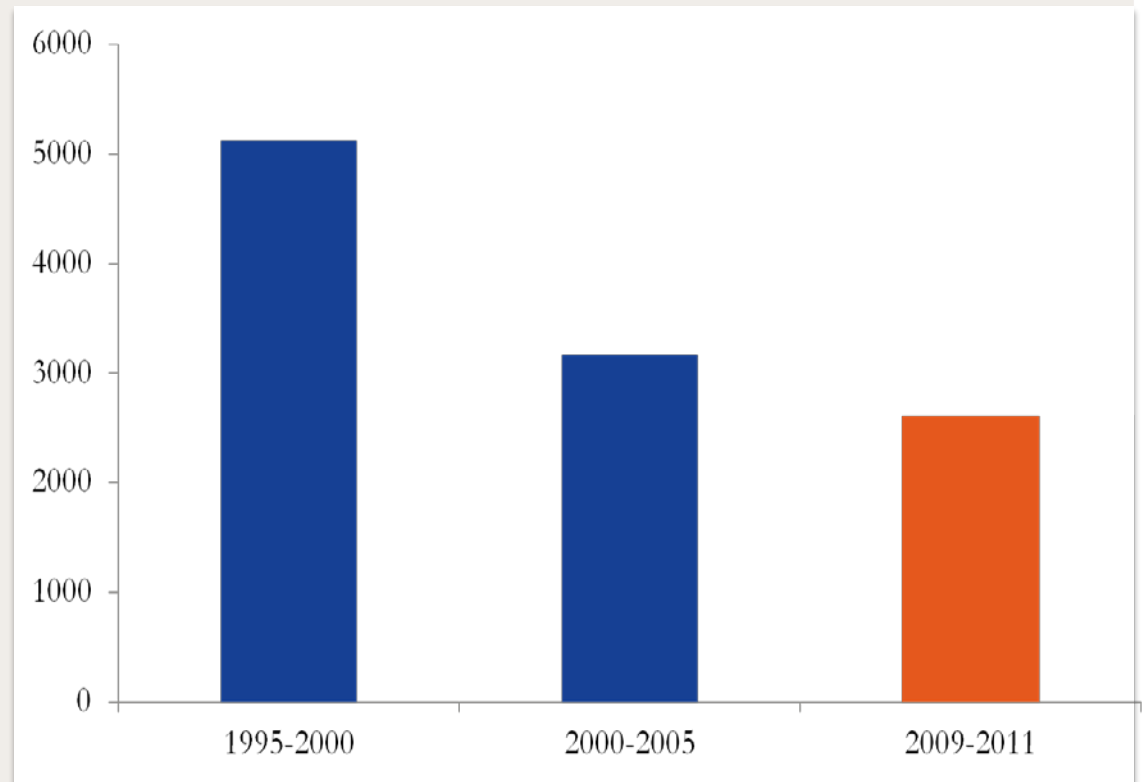
■ The Old Economic Development Environment

- Recruitment was the key



■ The New Economic Development Environment

- Growth from within is the key



■ The Old Economic Development Environment

- Quality of life didn't matter



■ The New Economic Development Environment

- Quality of life means quality workforce



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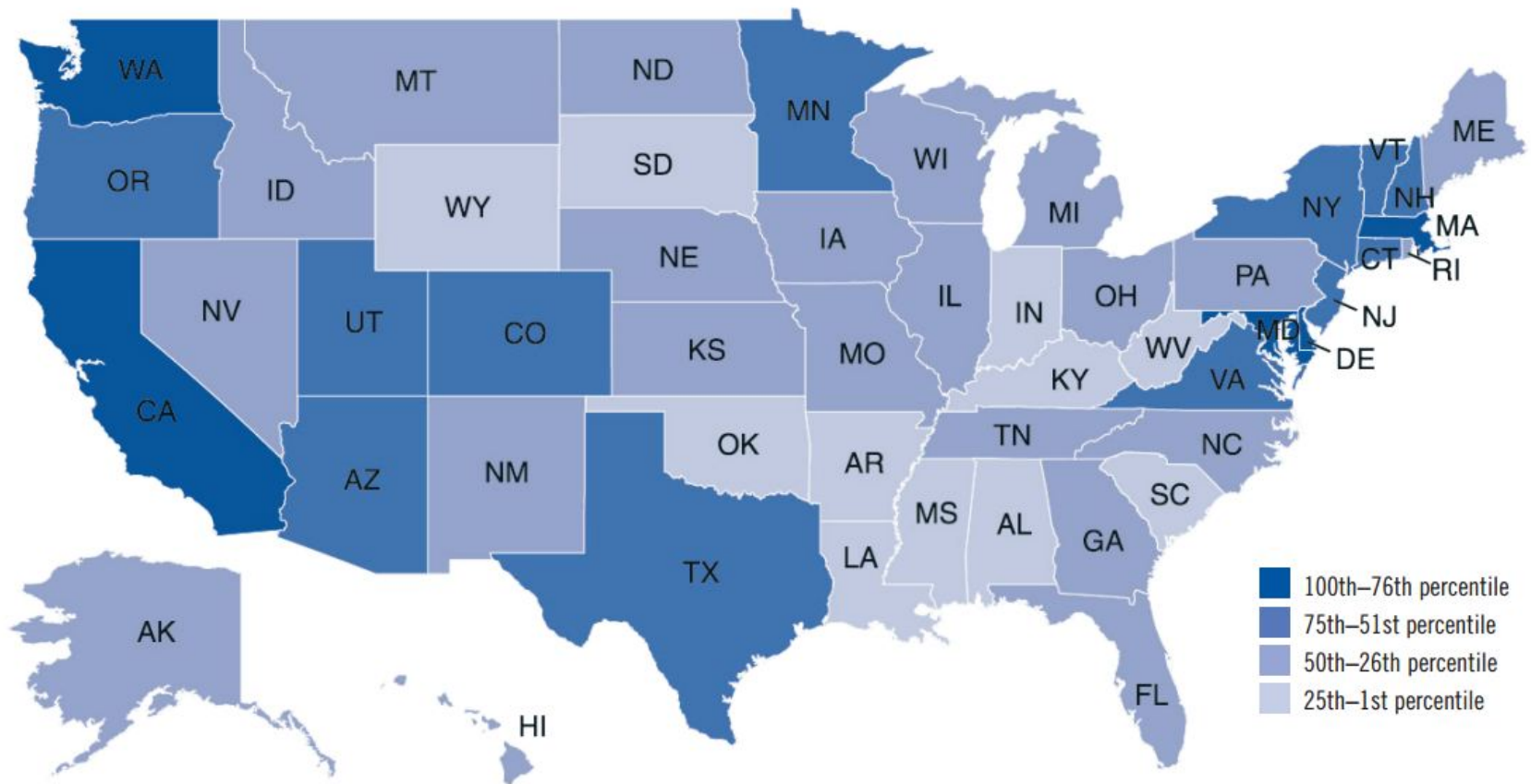
■ 2012 State New Economy Index

- The 2012 State New Economy Index builds on prior State New Economy Indexes published in 1999, 2002, 2007, 2008 and 2010. Overall, the report uses 26 indicators, divided into those five key areas that best capture what is new about the New Economy:

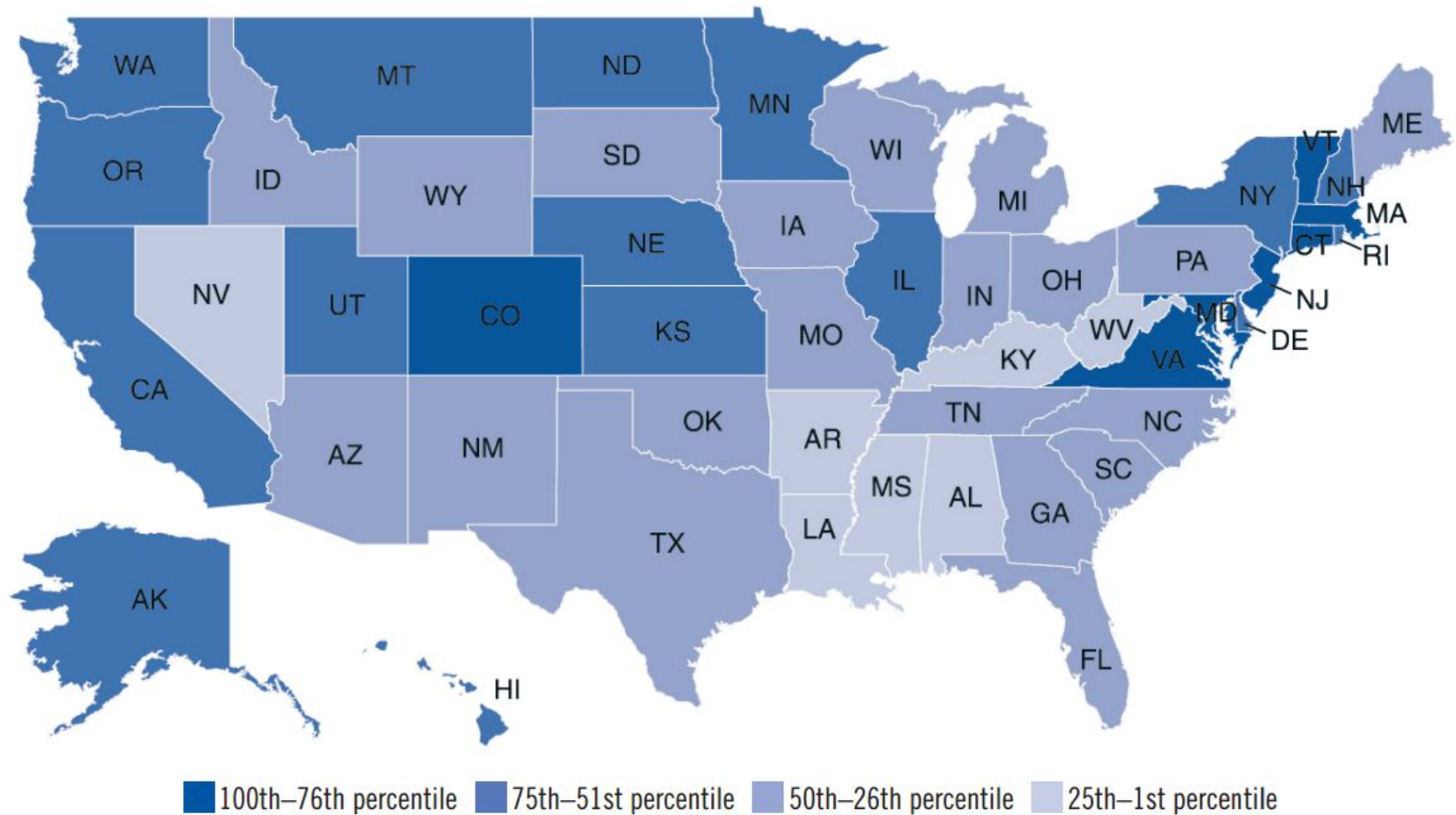
1. Knowledge jobs
2. Globalization
3. Economic dynamism
4. The digital economy
5. Innovation capacity



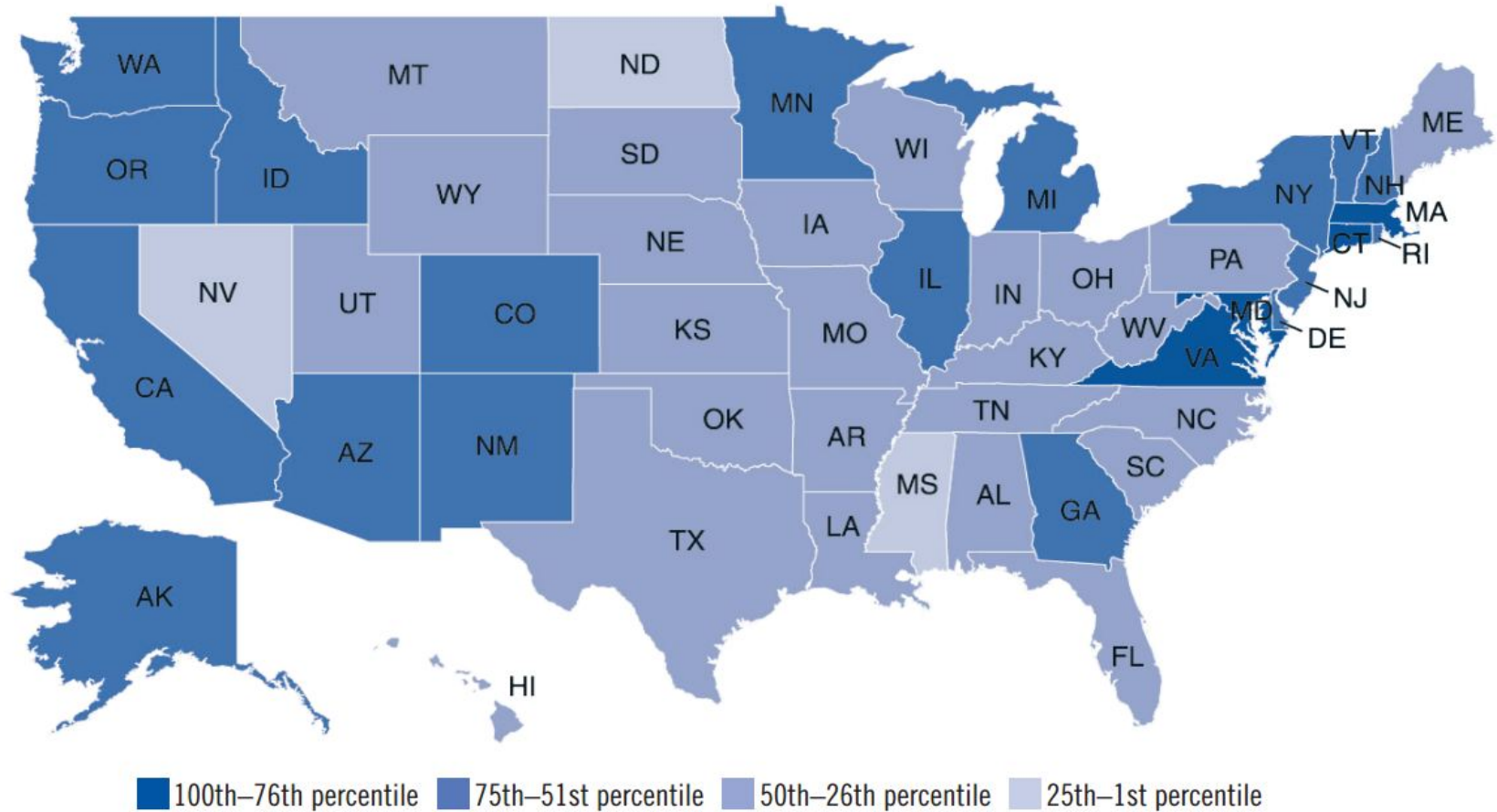
2012 SNEI Overall Scores



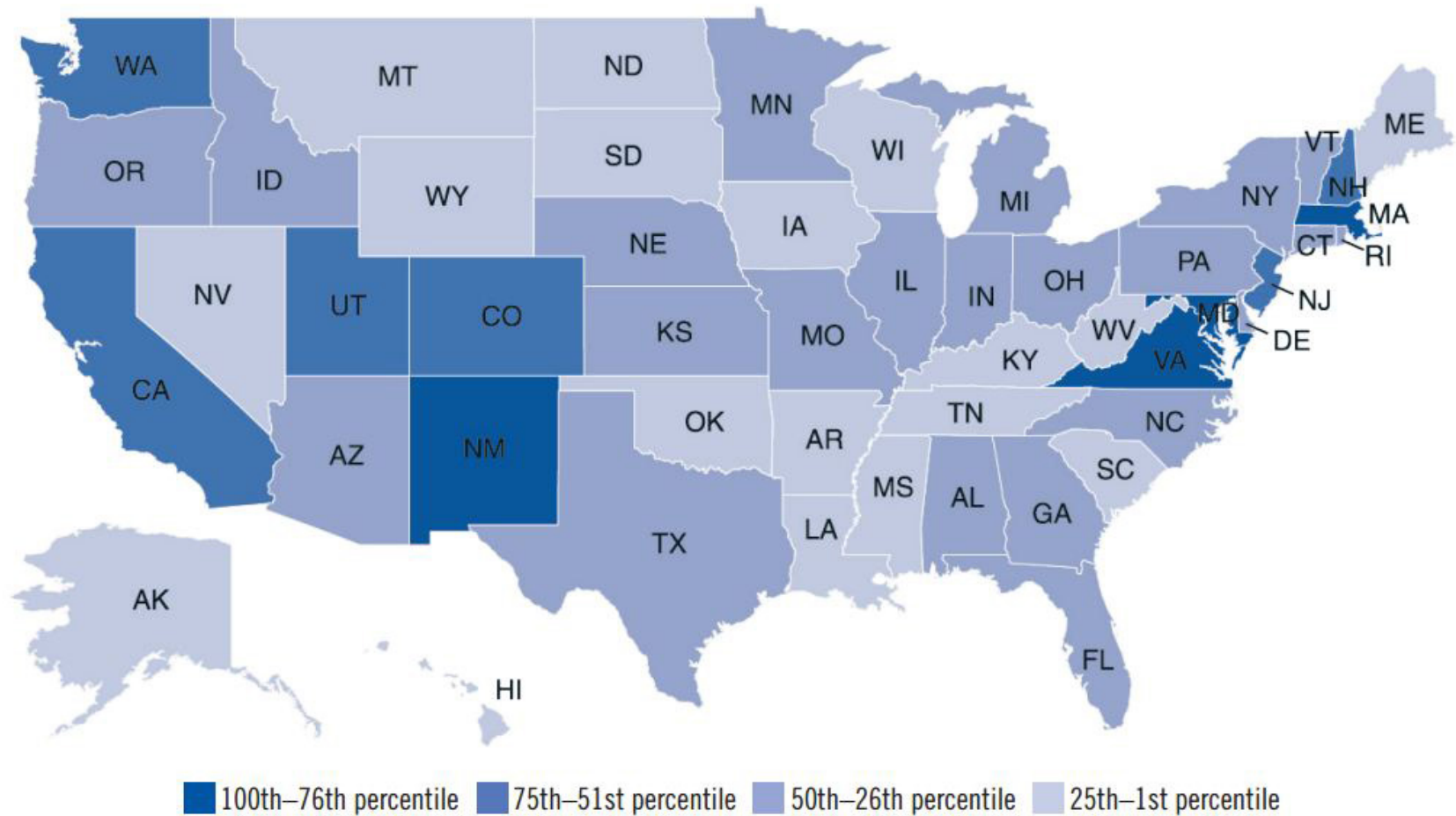
Workforce Education



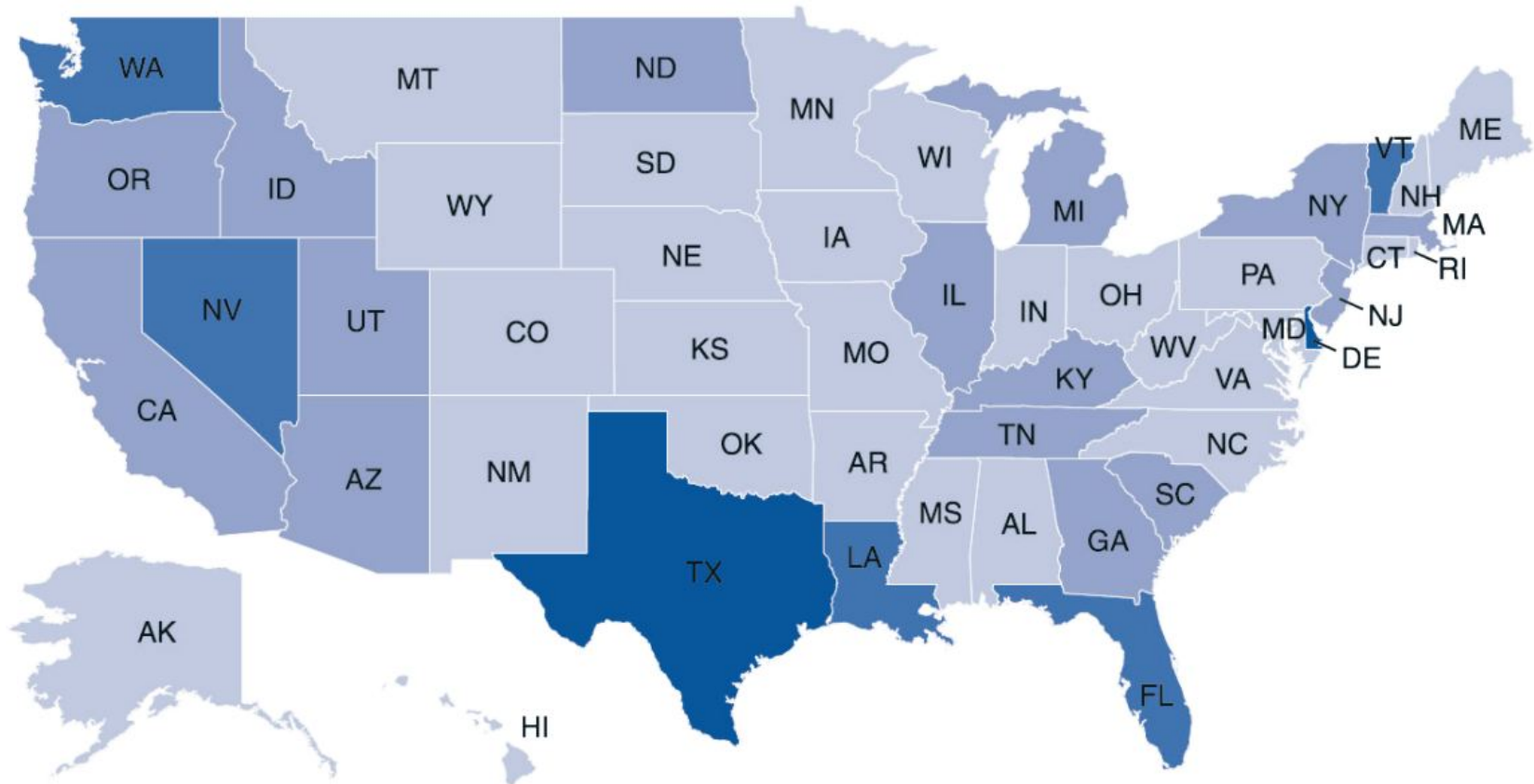
Managerial, Professional, and Technological Jobs



High Tech Jobs

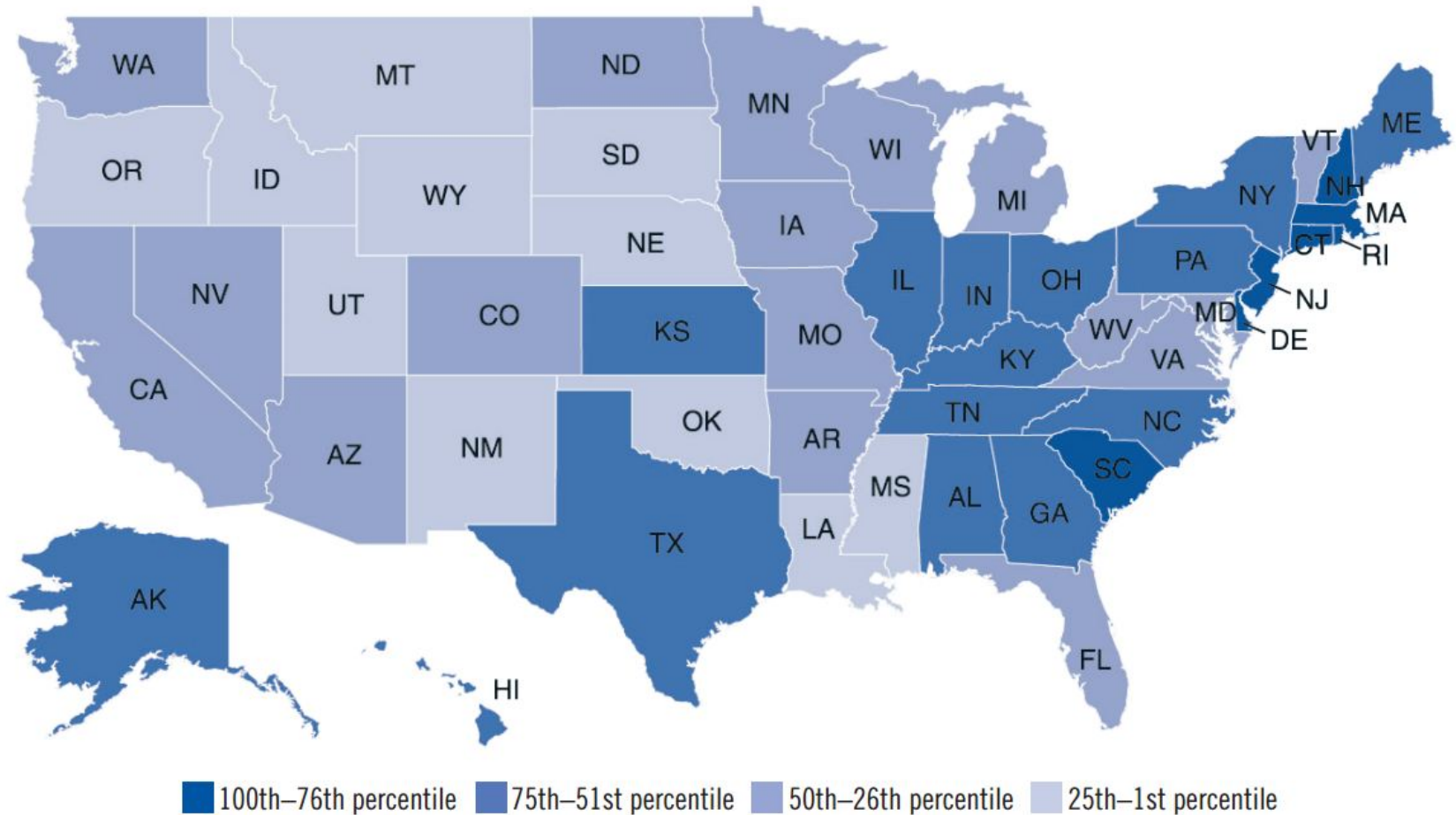


Export Focus of Manufacturing and Services

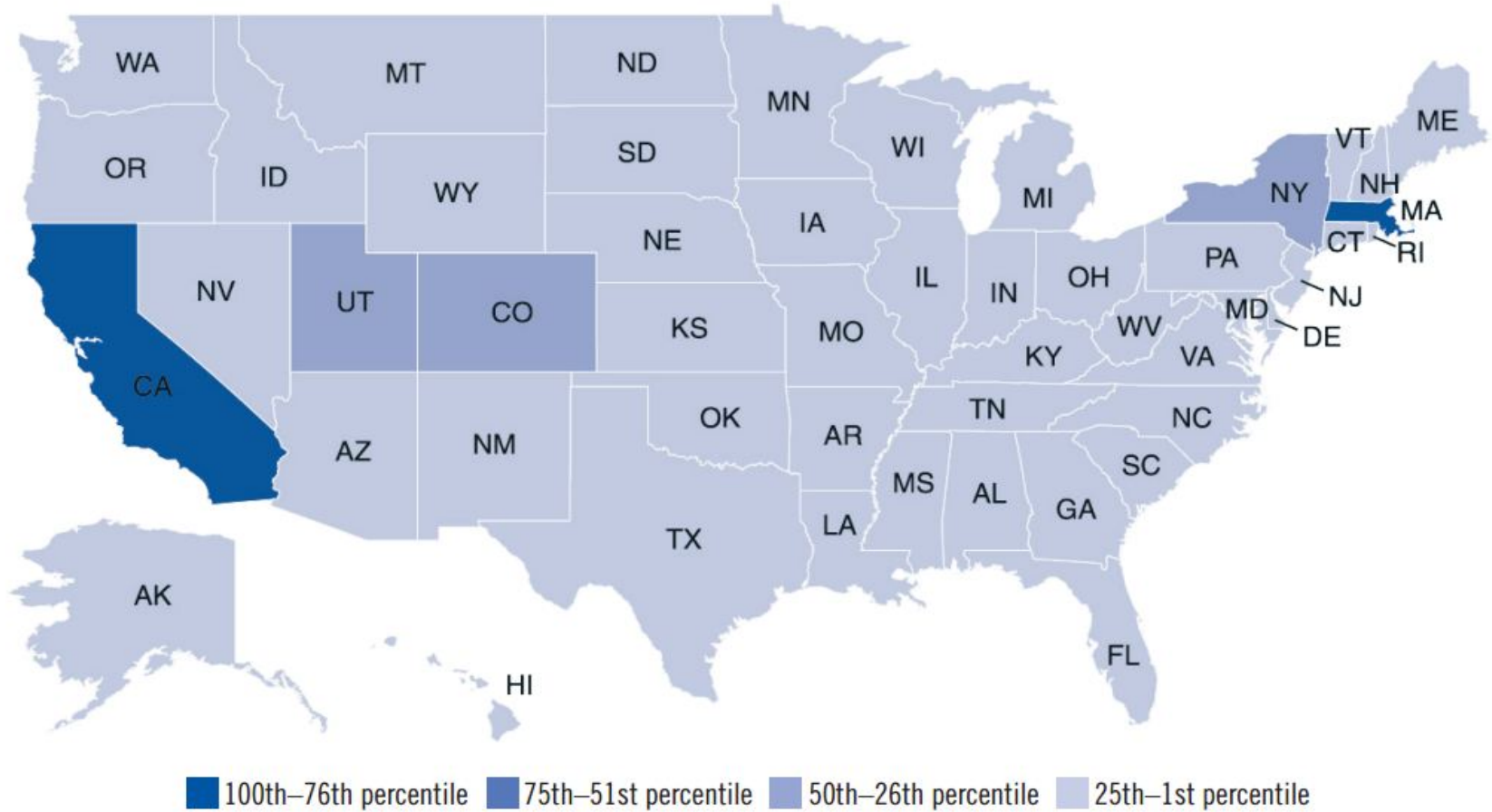


■ 100th–76th percentile ■ 75th–51st percentile ■ 50th–26th percentile ■ 25th–1st percentile

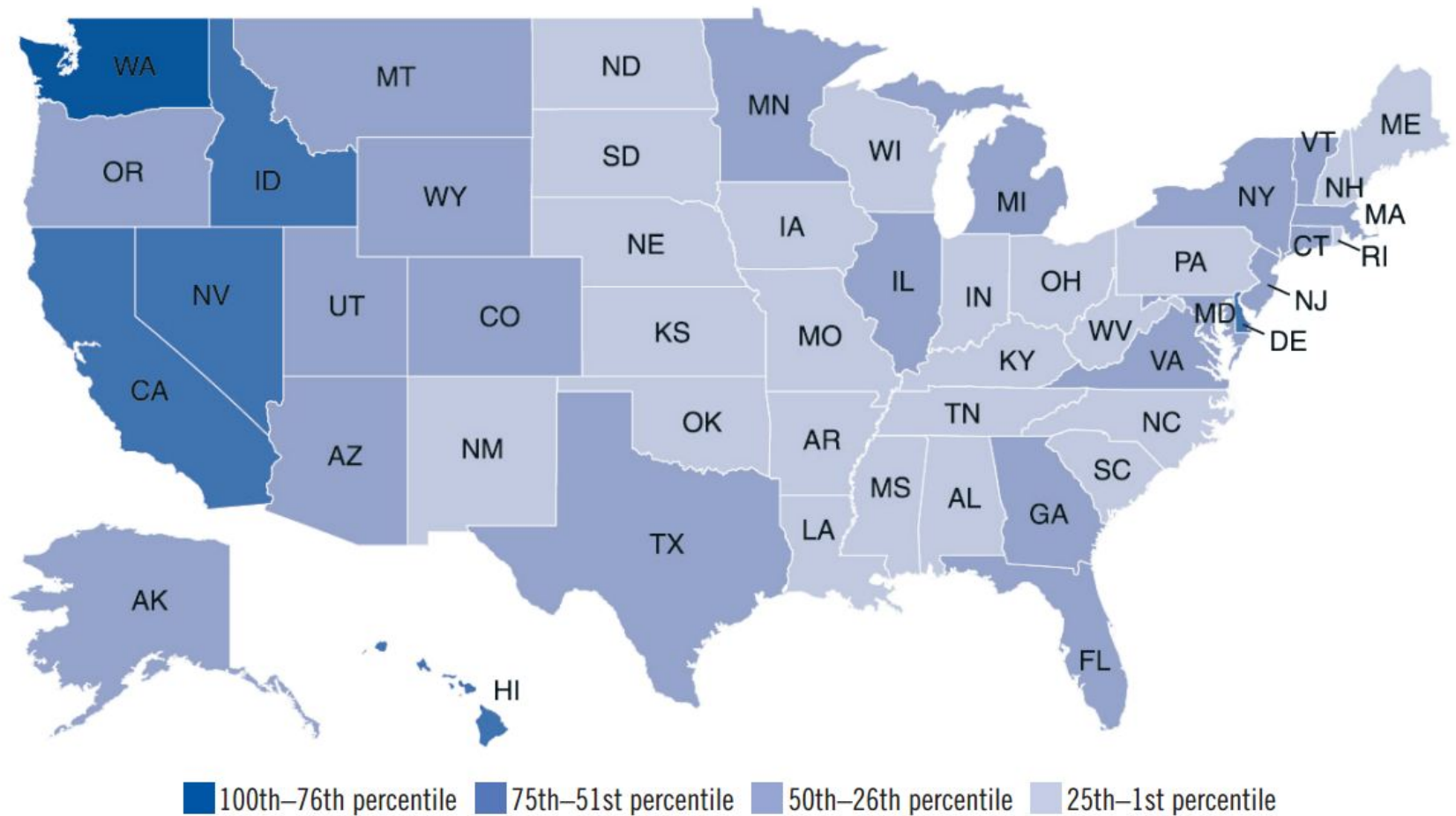
Foreign Direct Investment



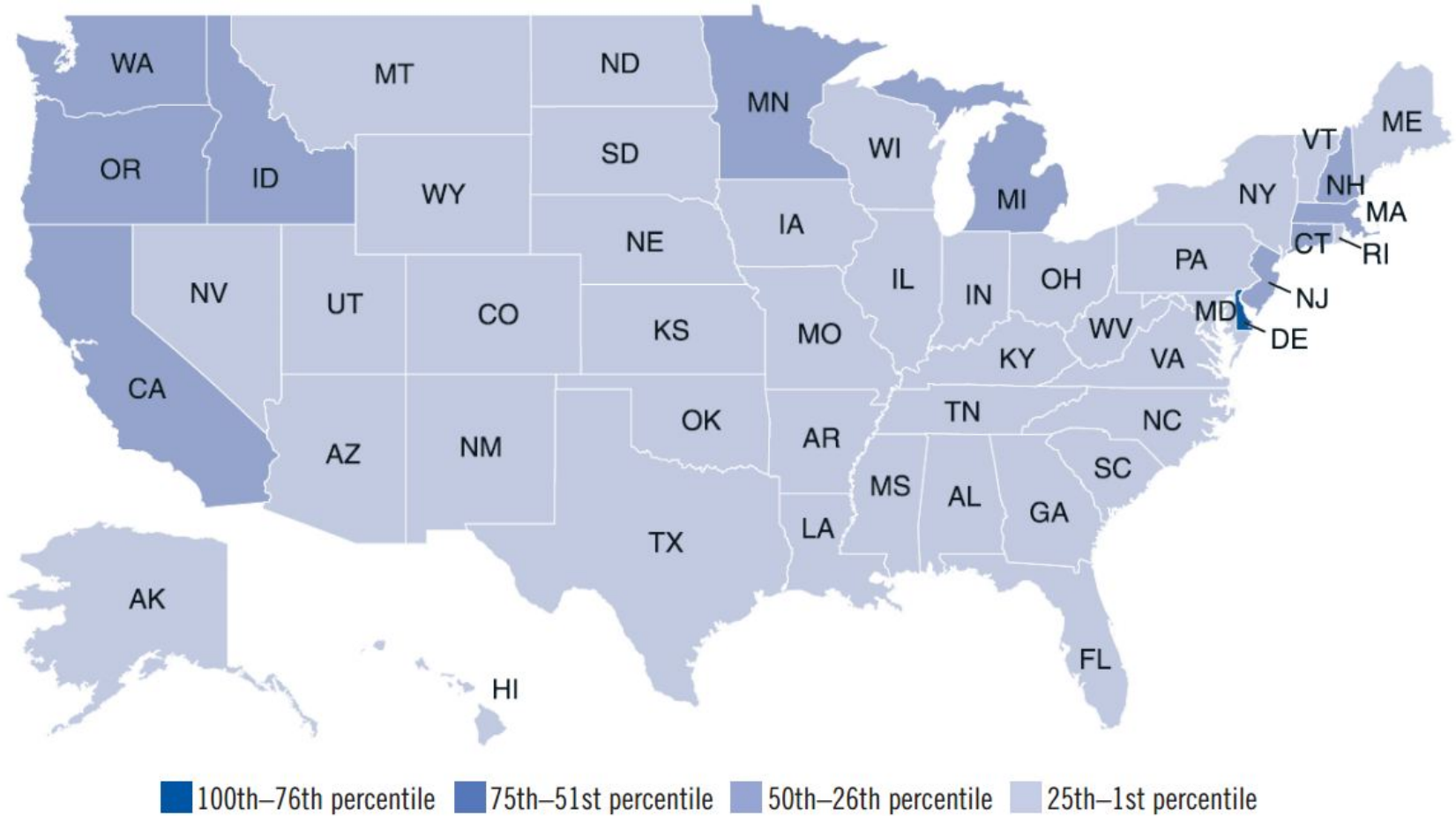
Venture Capital



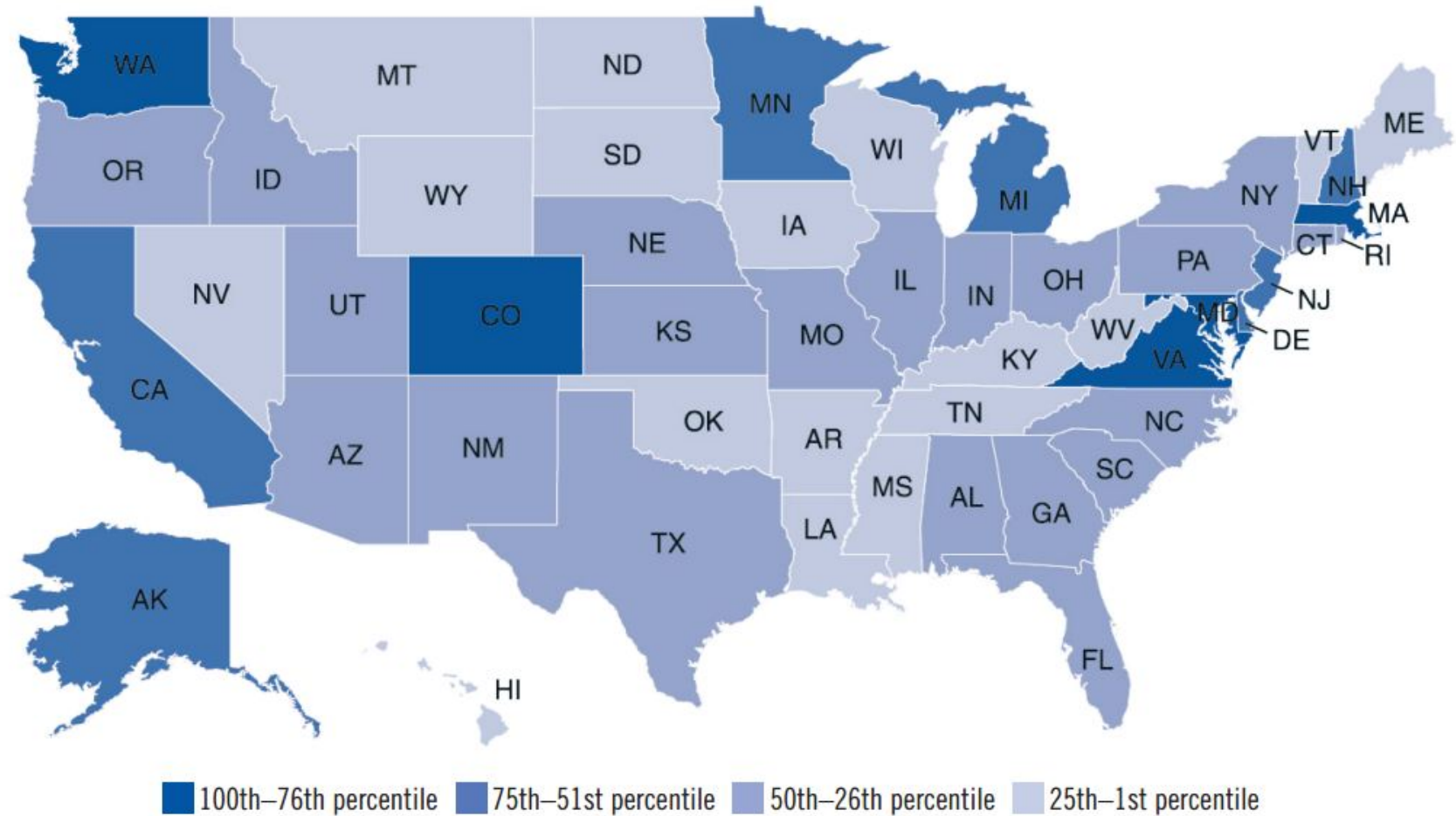
Patents



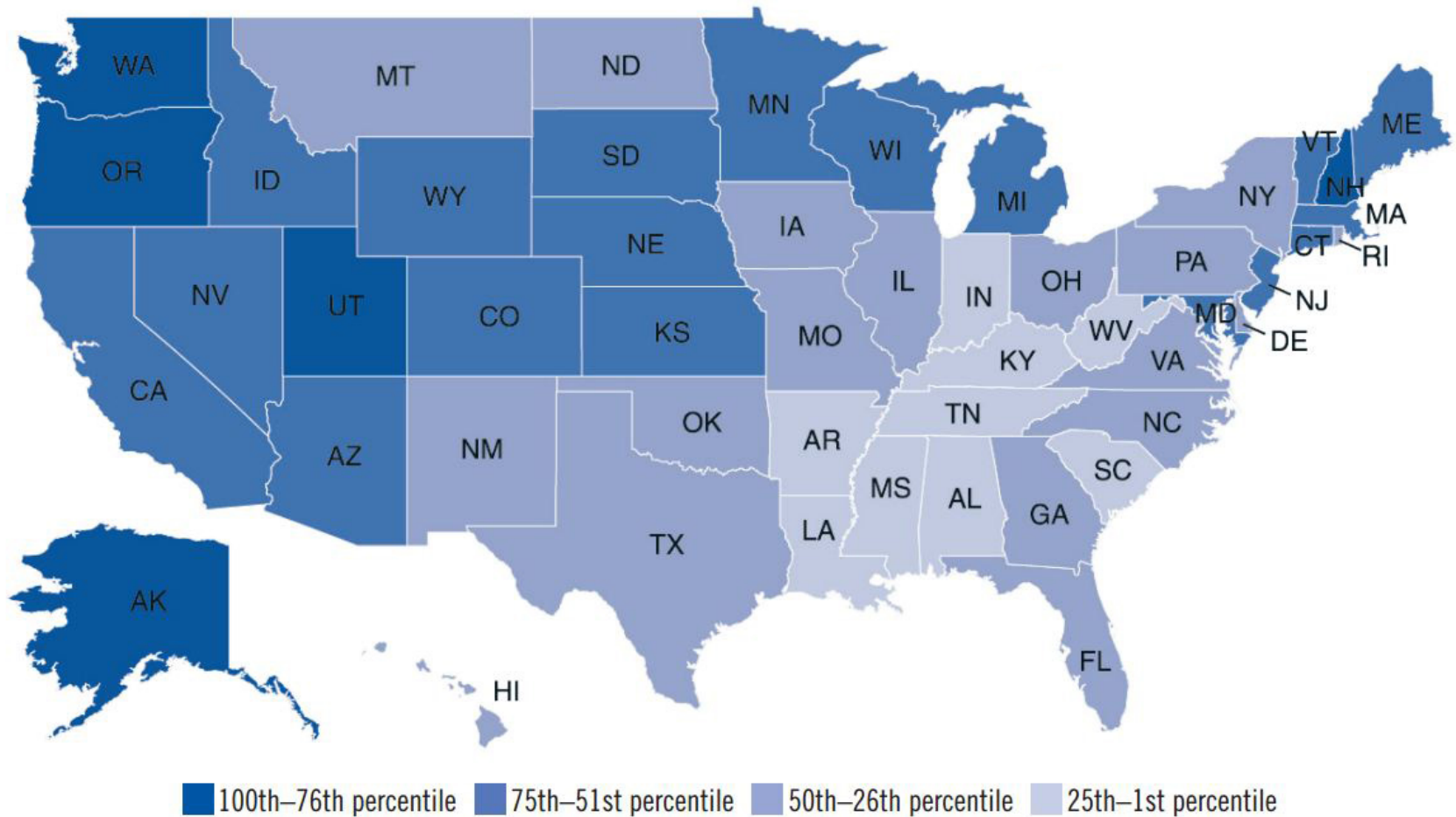
Industry Investment in R&D



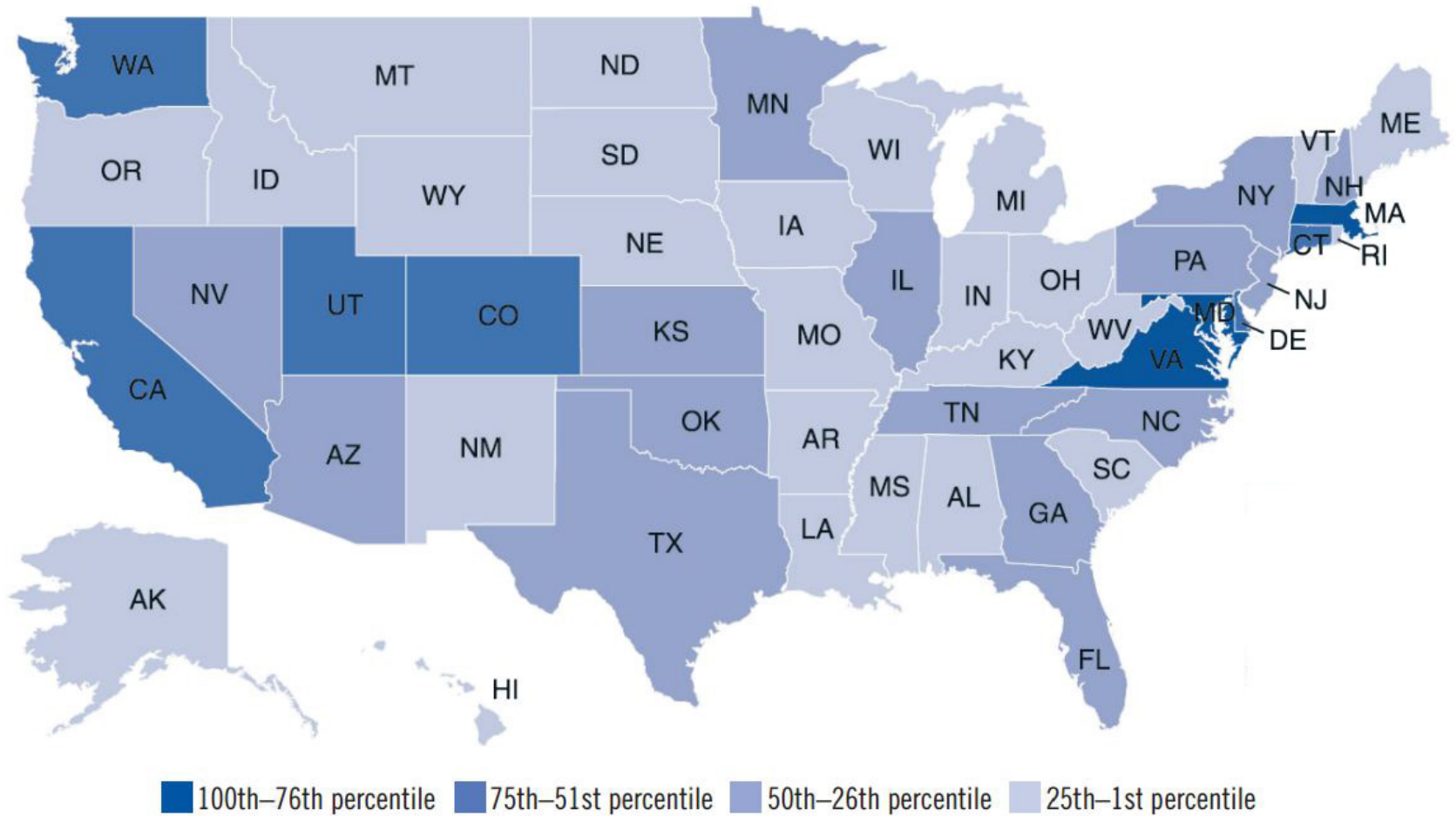
Scientists and Engineers



Online Population



Fast Growing Firms



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- Real competition is not from Virginia and South Carolina but from other countries.
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- Focus on “gazelles,” not small business per se.

■ Get the Economic Development Principles Right

- It's not just the number of jobs, but their quality.
- Focus on economic base firms with high wages.
- Real competition is not from New York but from, but from other countries.
- Regions' competitive future rest on innovation and entrepreneurship.
- Focus on “gazelles,” not small business per se.
- **Help firms and entrepreneurs learn and take risks.**

Thank You

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