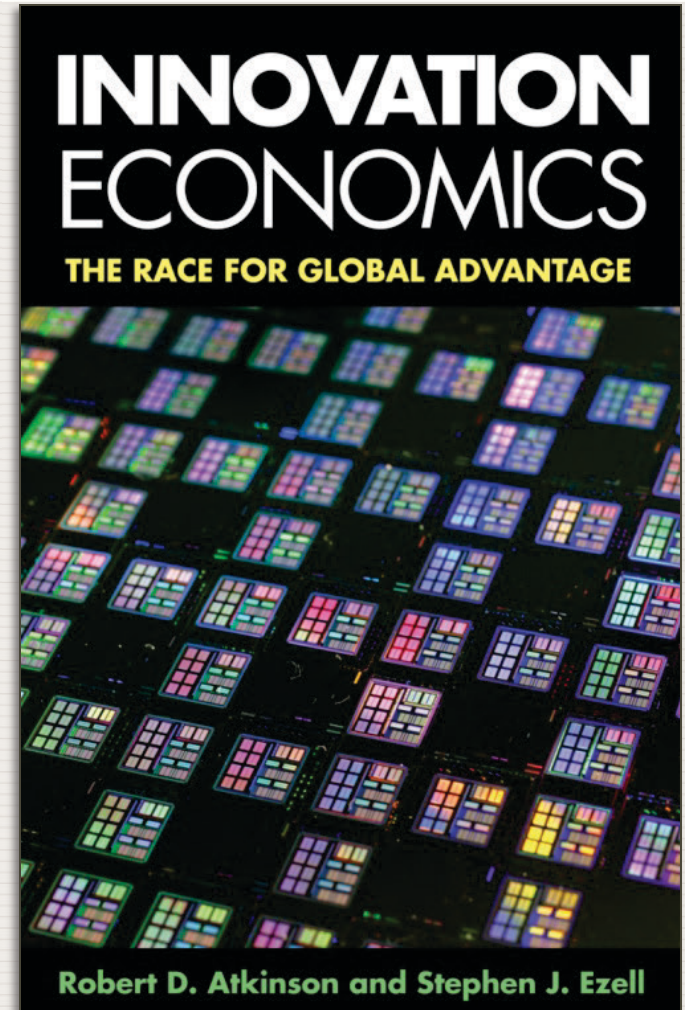


***INNOVATION
ECONOMICS:
THE RACE FOR
GLOBAL
ADVANTAGE***

Rob Atkinson

The Information Technology and Innovation Foundation

ITIF



■ Today's Presentation

1

What's the Diagnosis?

2

What's the Cause?

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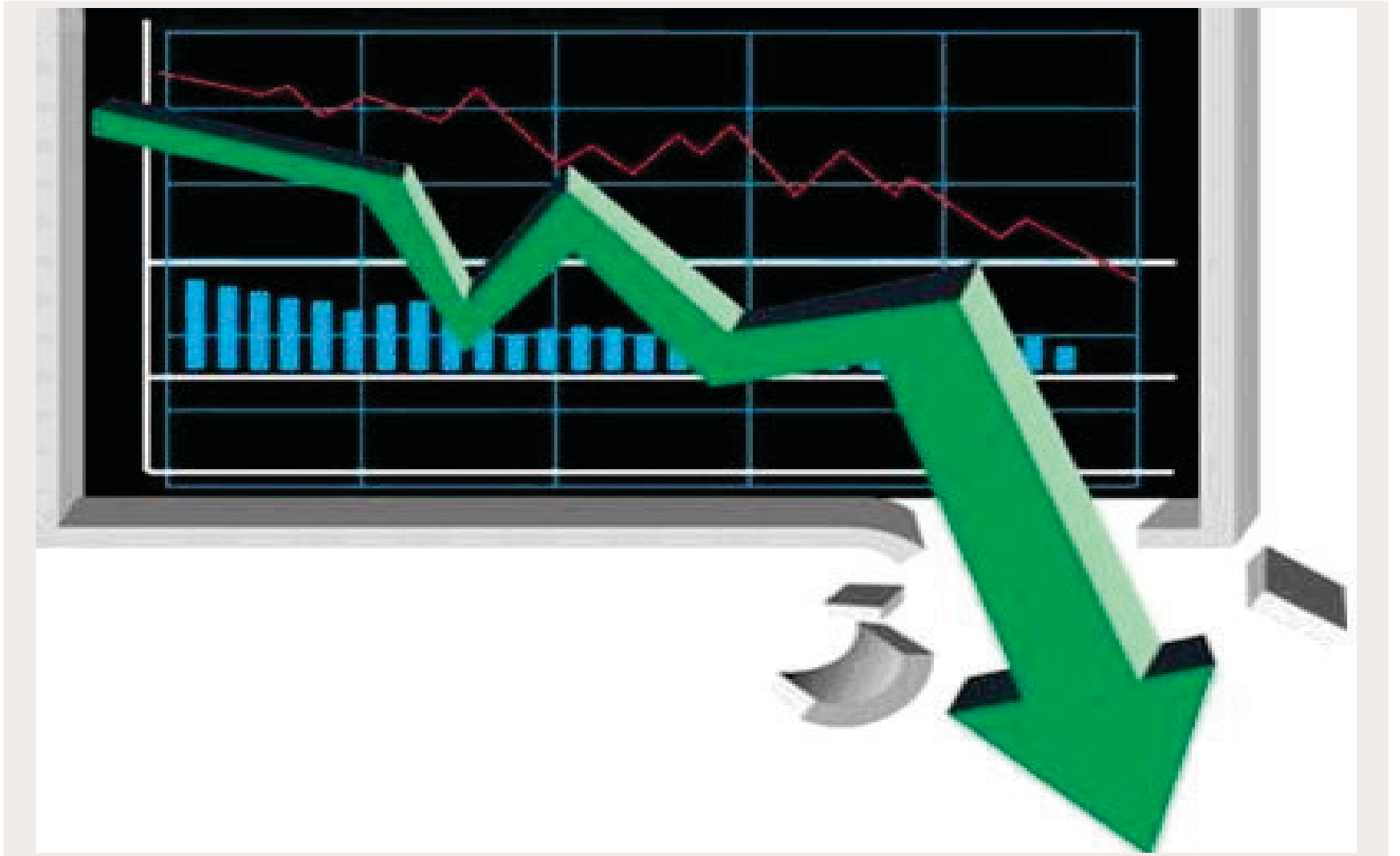
What's the Solution?

4

Overcoming the Hurdles

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Getting Inspired to Win





Ride the Fast Track to Real Estate Success

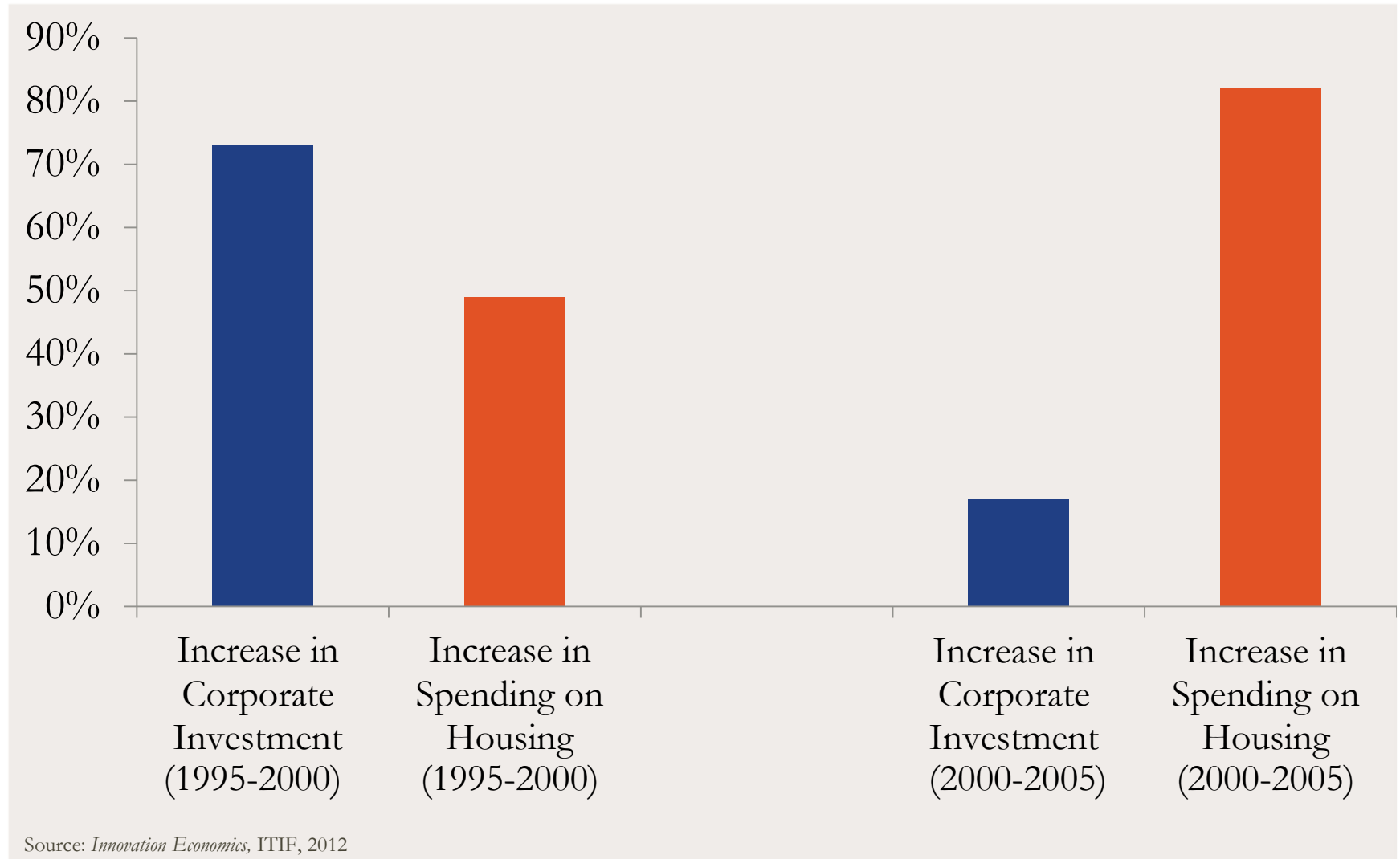
■ The Well of Investment Dried Up



■ As We Went From Making Things to Making Money



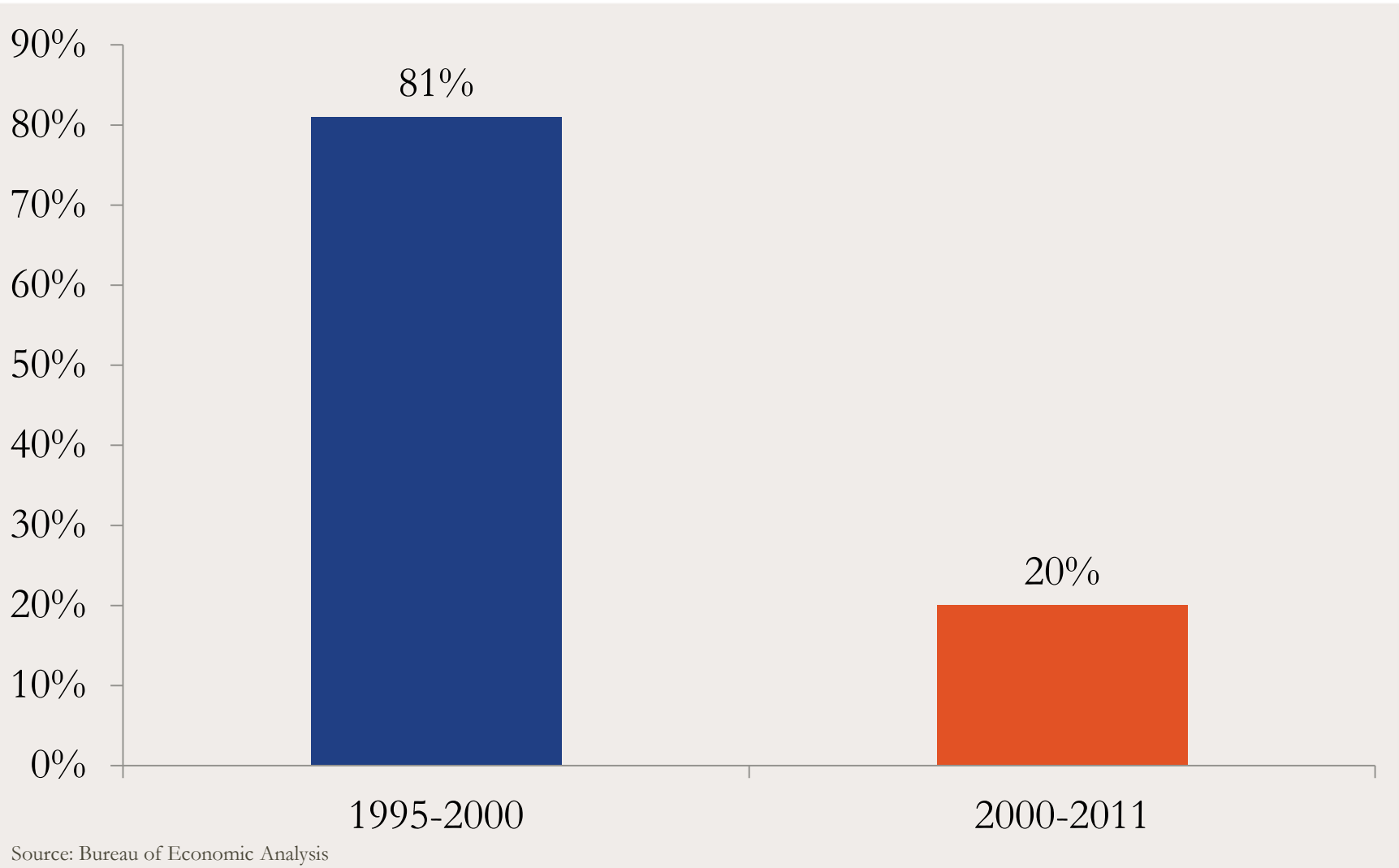
■ Investment Fell, Housing Boomed



Source: *Innovation Economics*, ITIF, 2012

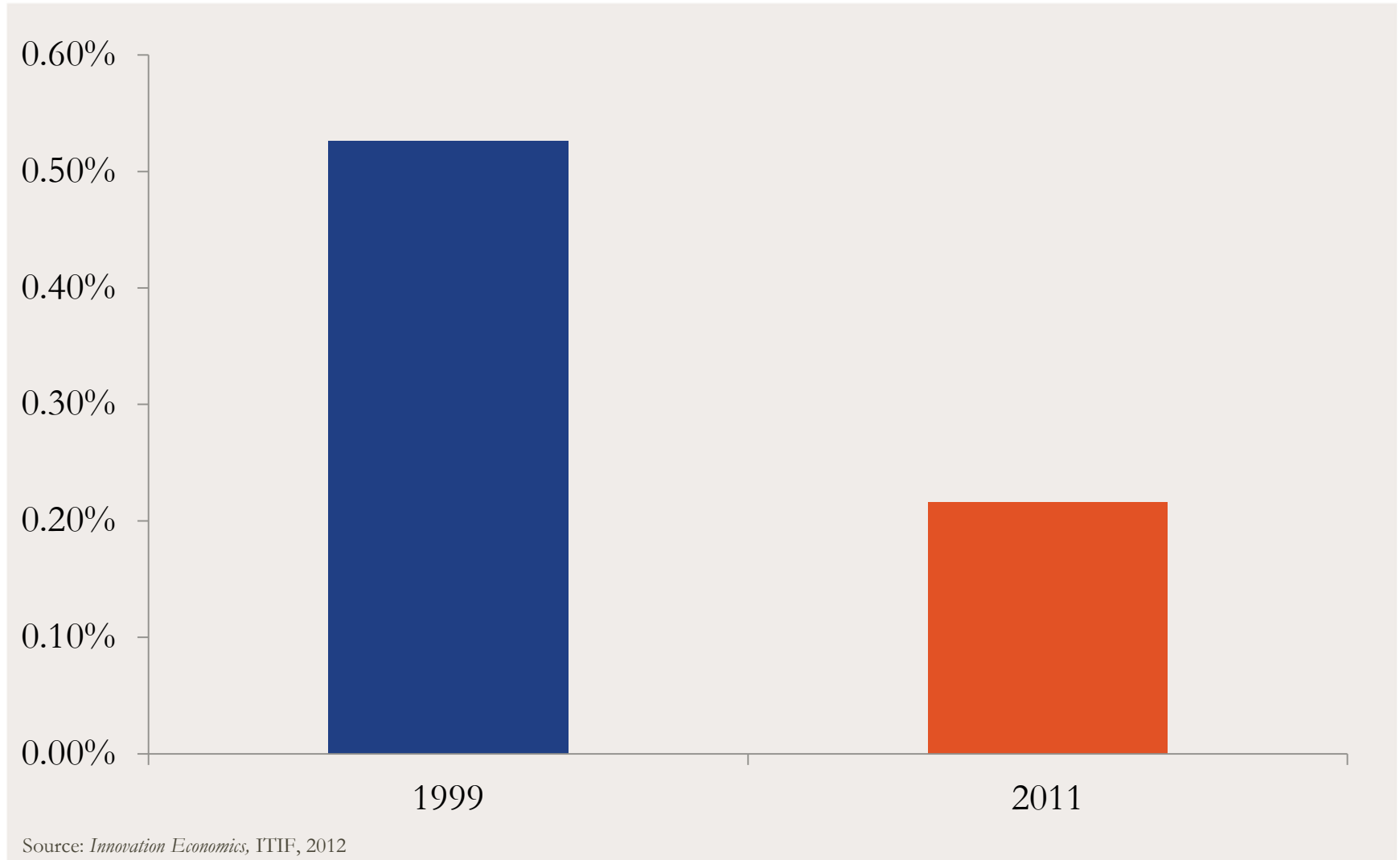
Growth in Private Investment in Equipment & Software

■ Has Been Stagnant

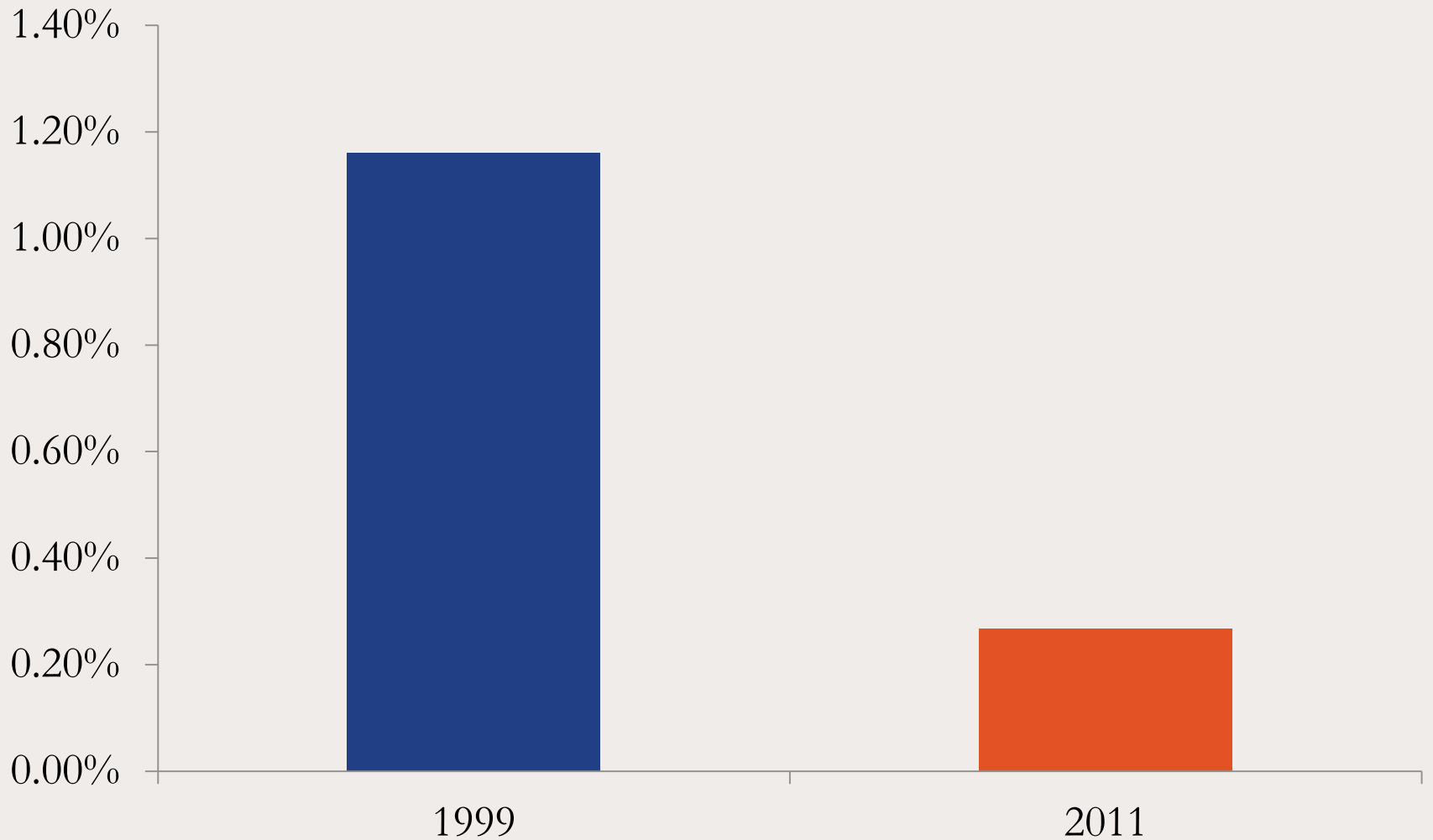


Source: Bureau of Economic Analysis

■ Venture Capital Shrank (Share of GDP)

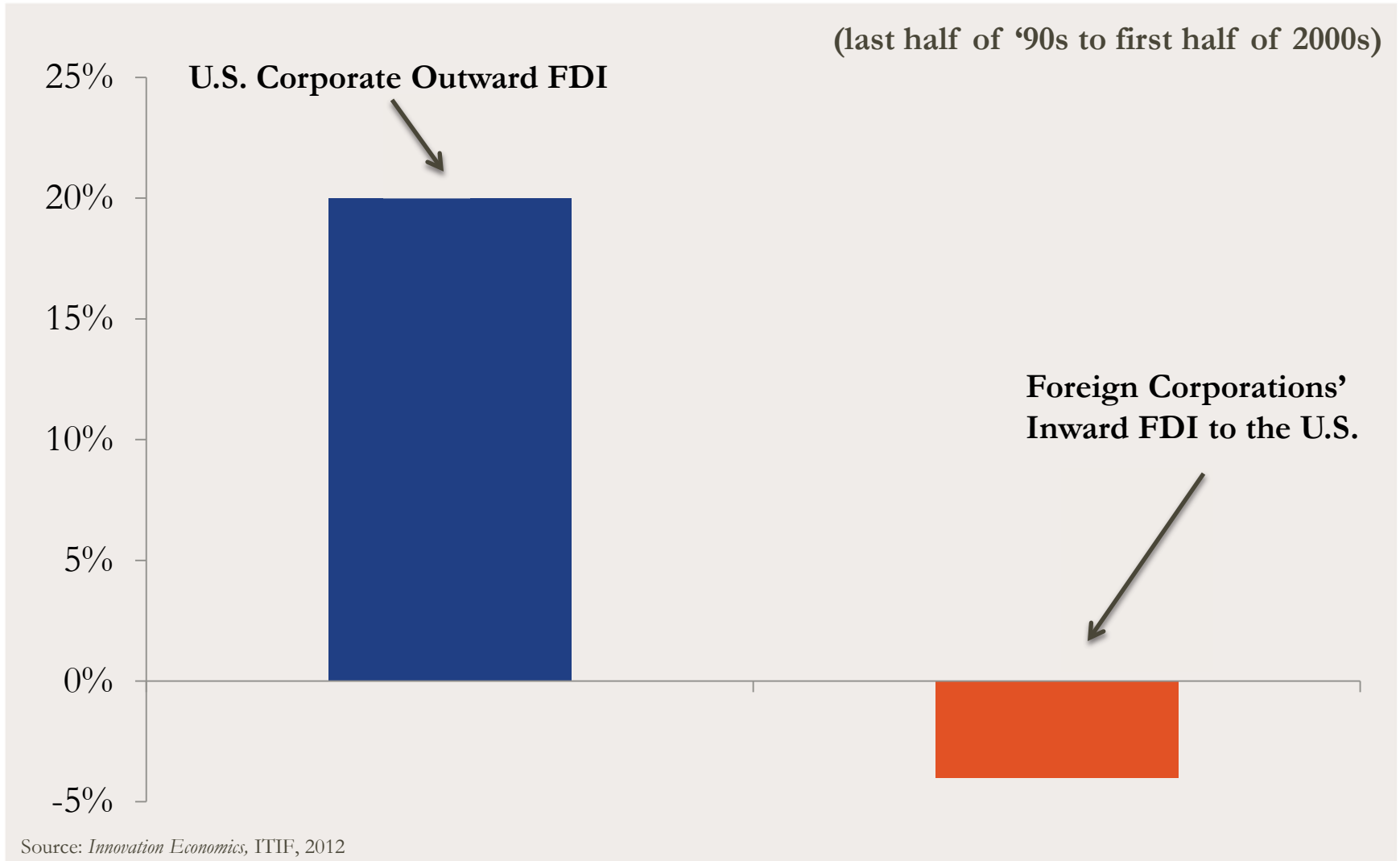


■ IPOs Shrank (as a Share of GDP)

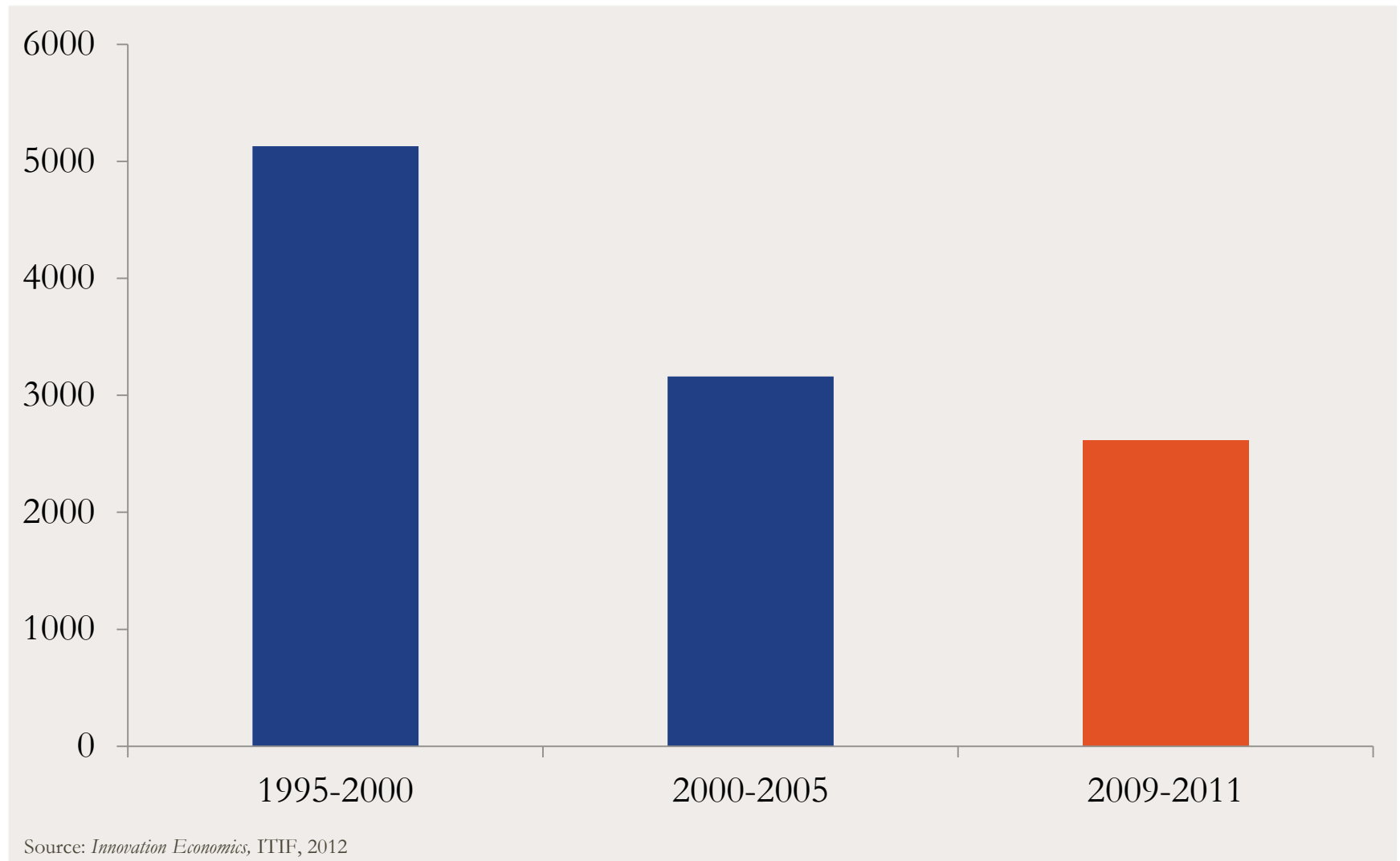


Source: *Innovation Economics*, ITIF, 2012

■ Outward FDI Grew, Inward FDI Shrank



Major U.S. Industrial Manufacturing Relocations and Significant Expansions Shrank

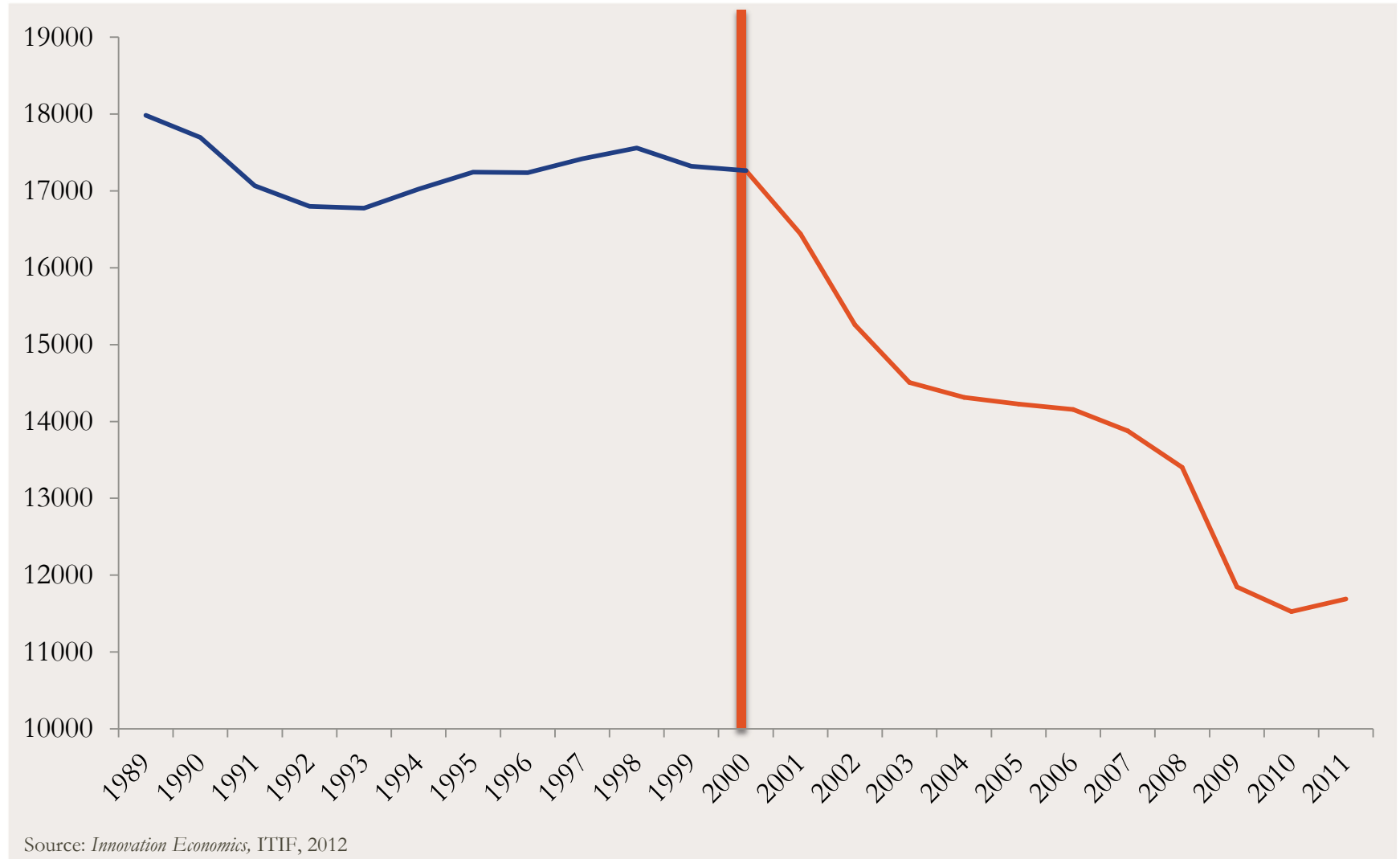


Source: *Innovation Economics*, ITIF, 2012

■ As the U.S. Trade Deficit Exploded

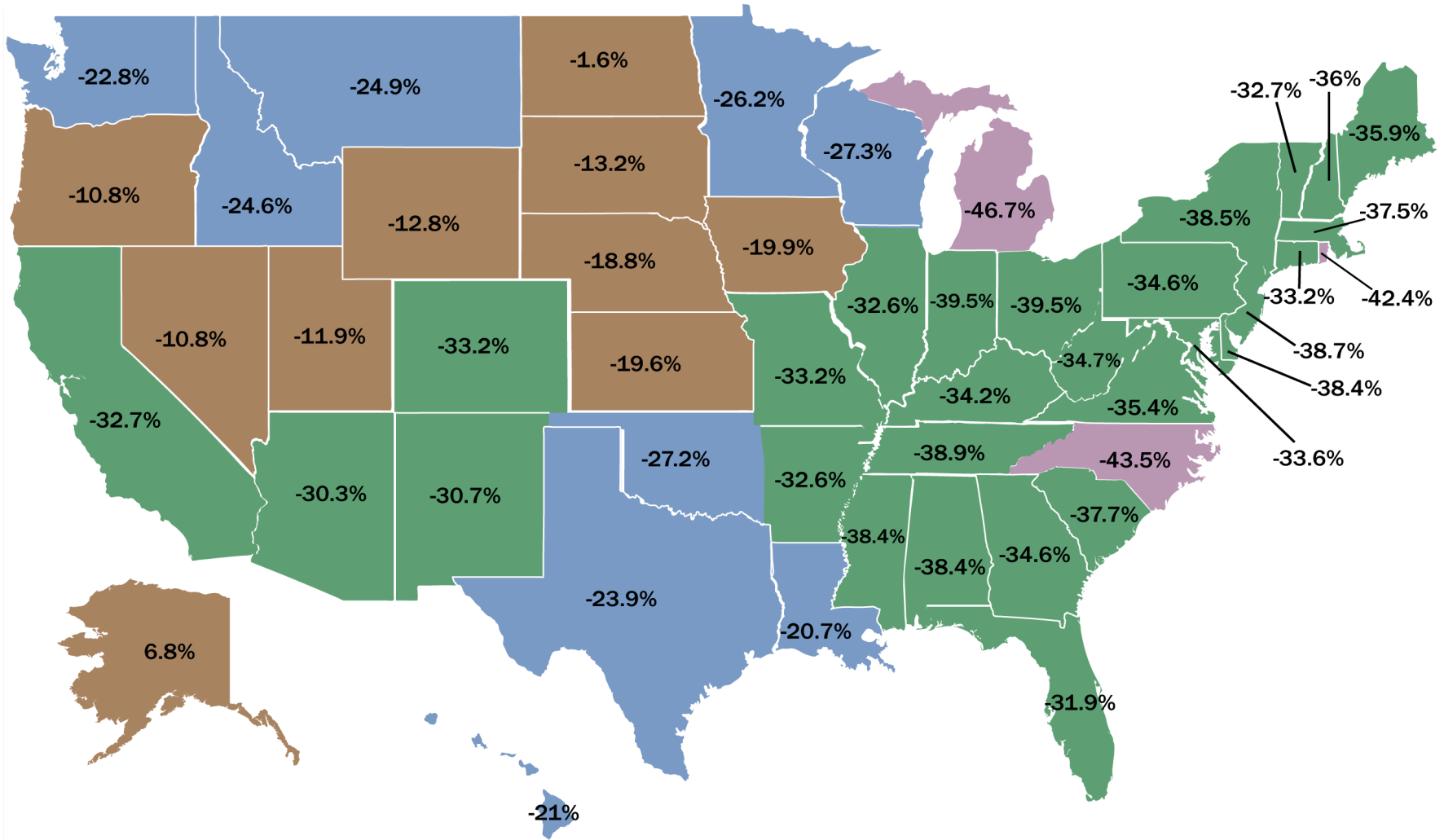


■ And Manufacturing Employment Crumbled

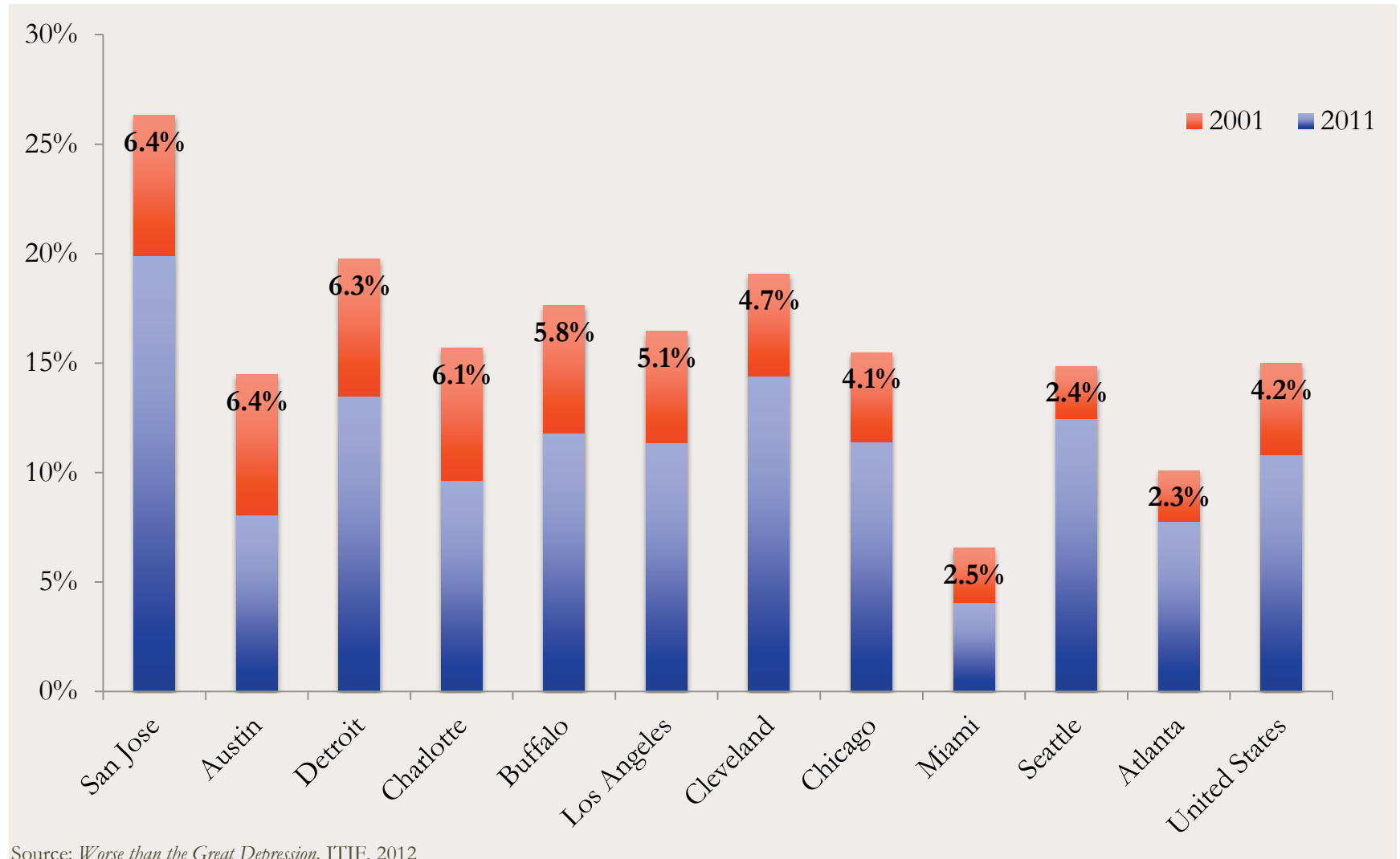


Source: *Innovation Economics*, ITIF, 2012

■ All States But One had Manufacturing Losses, 2000-2010

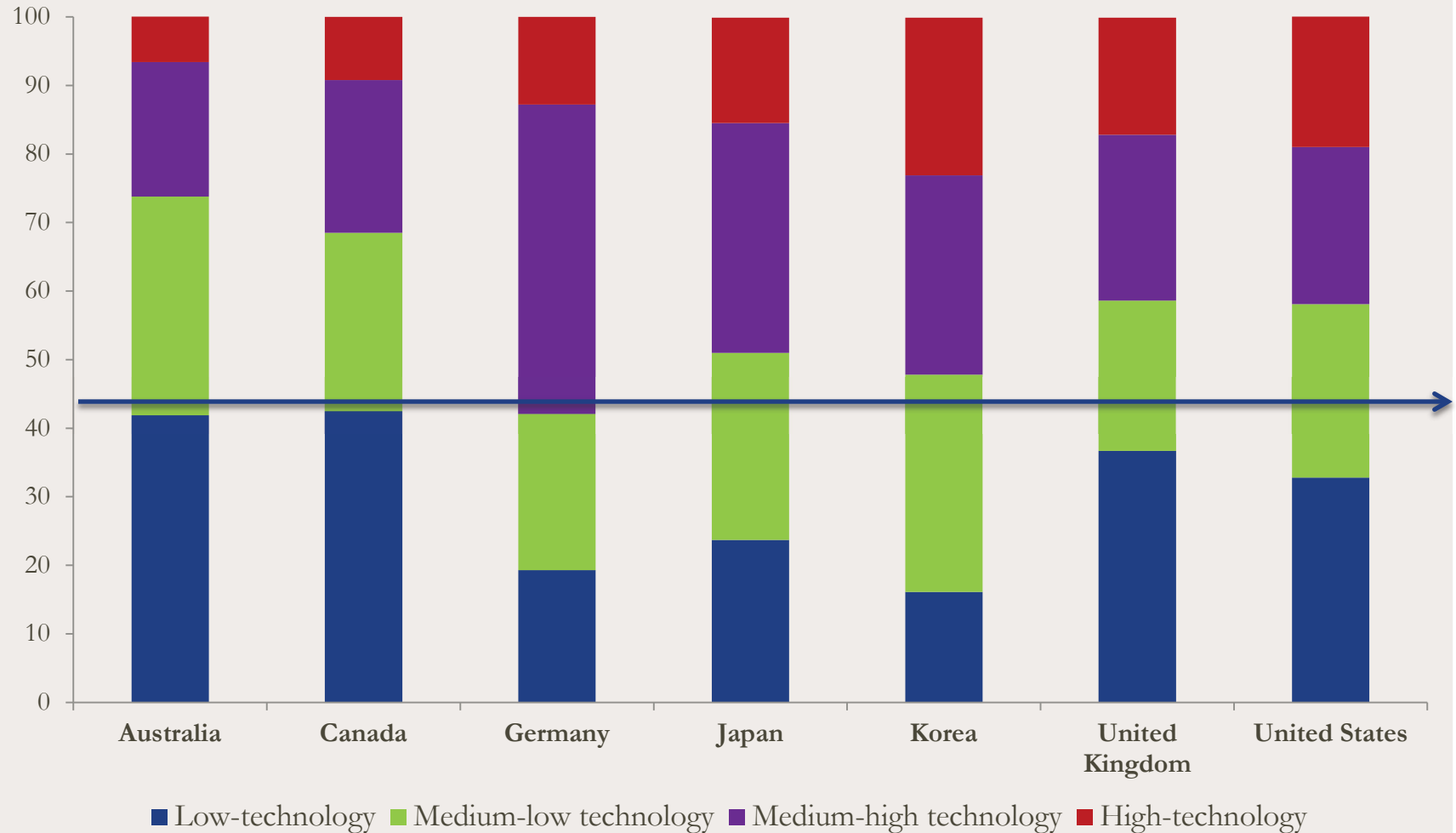


■ Most Metropolitan Areas Saw Manufacturing Job Losses



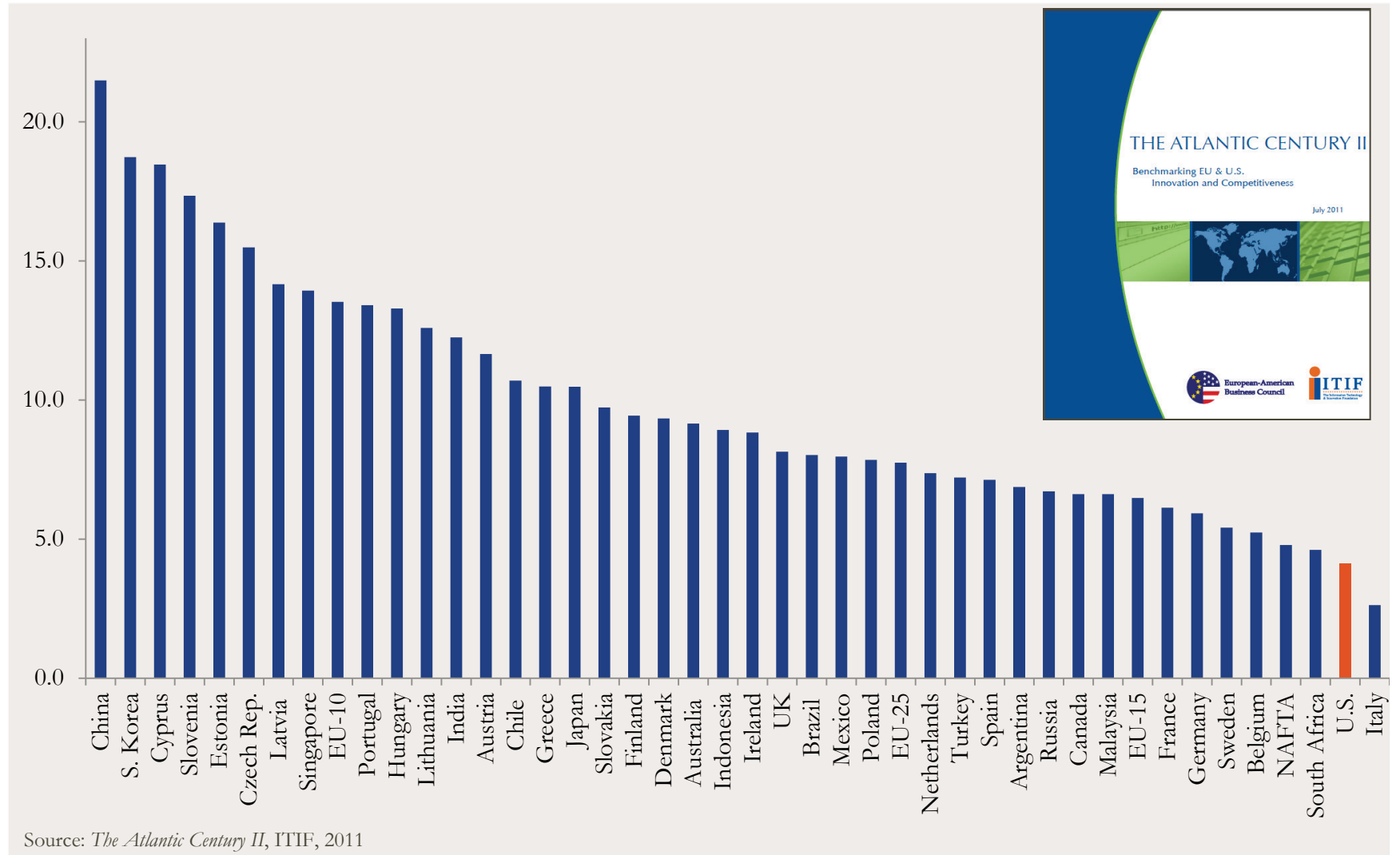
Source: *Worse than the Great Depression*, ITIF, 2012

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)



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■ Companies Went From Shopping the States...

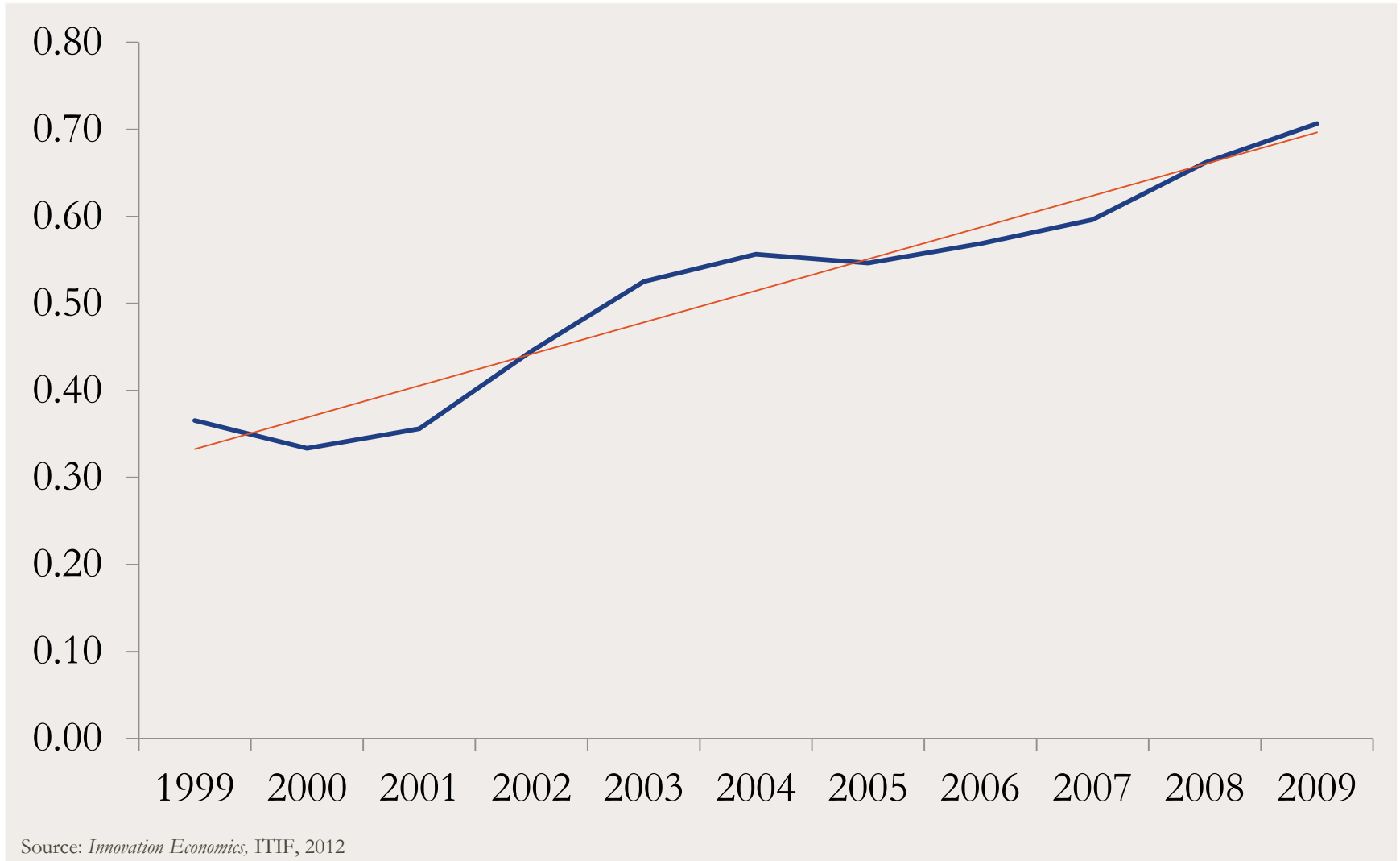


- ...To Shopping the World



U.S.-Headquartered Manufacturing Foreign Capital Investment

■ Doubled as Share of U.S. Investment

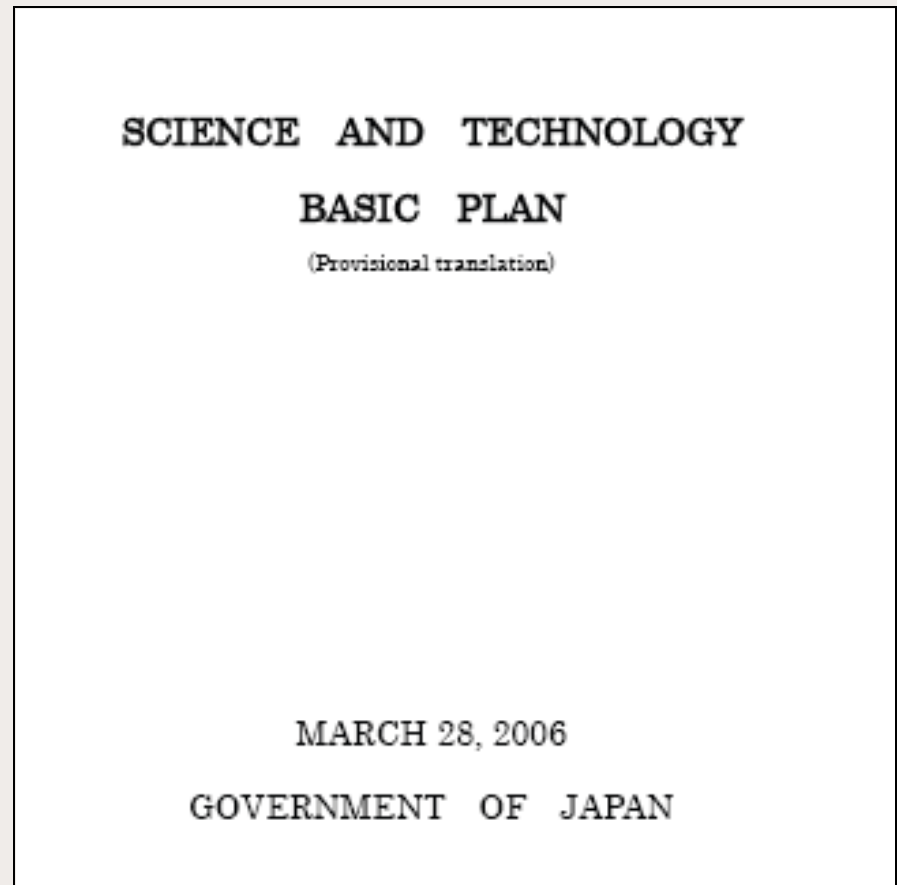
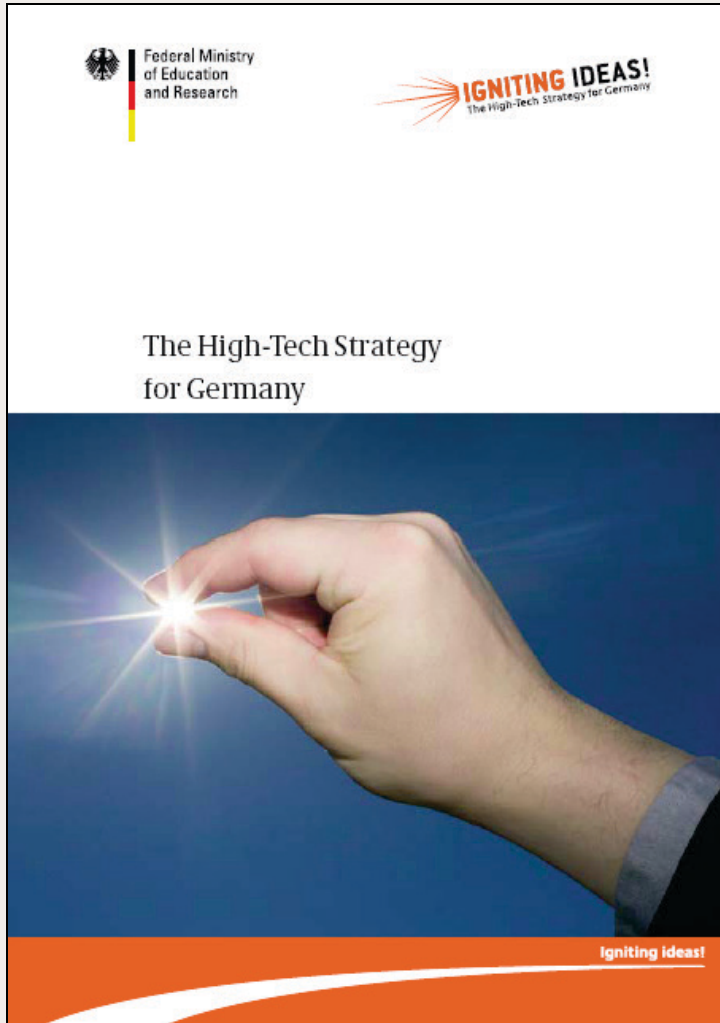


Source: *Innovation Economics*, ITIF, 2012

Other Countries Sought to Win Through ■ “Good” Innovation Policies



■ They Have Strategies to Help Innovation Succeed



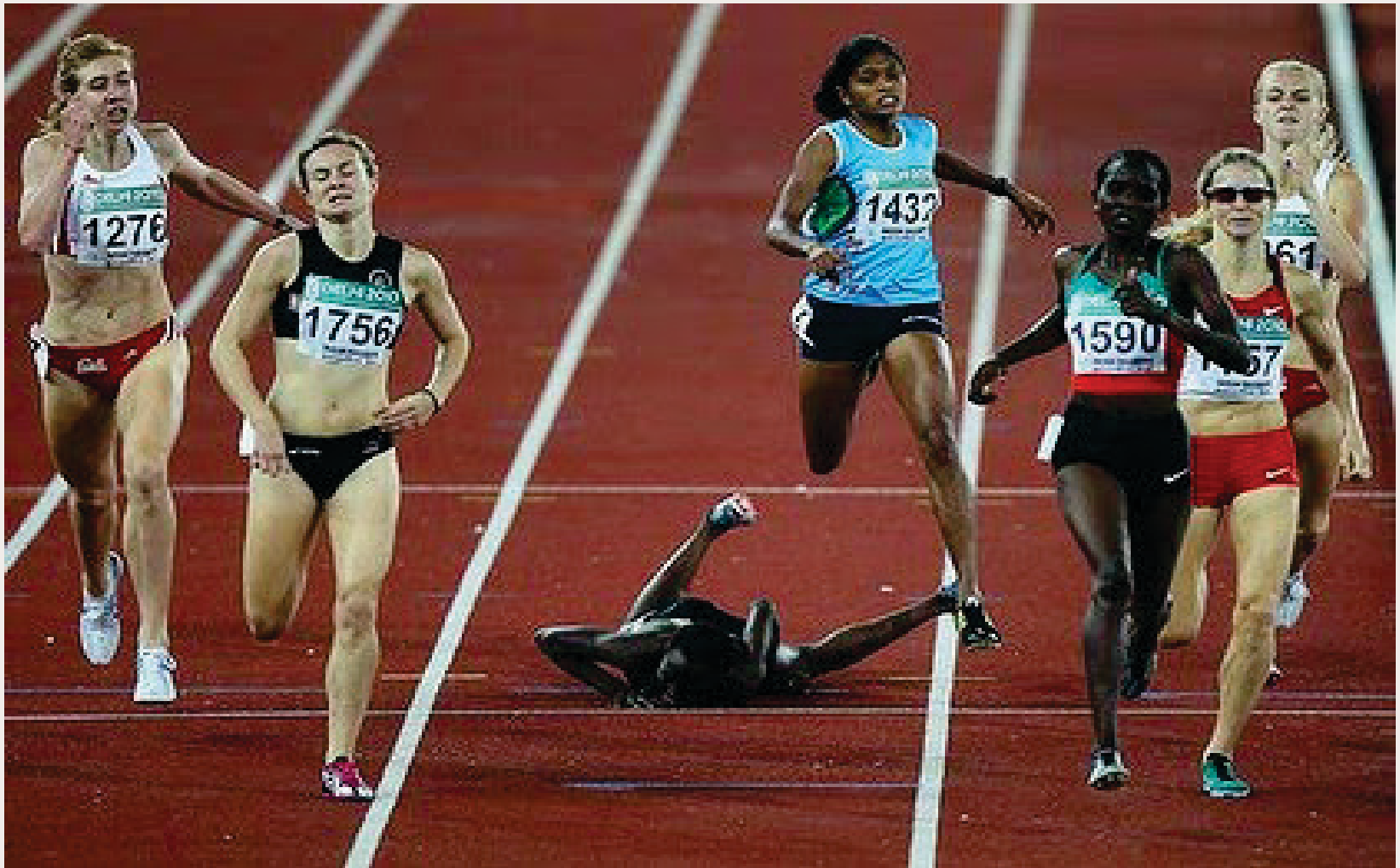
■ Select Nations with Innovation Strategies

- 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

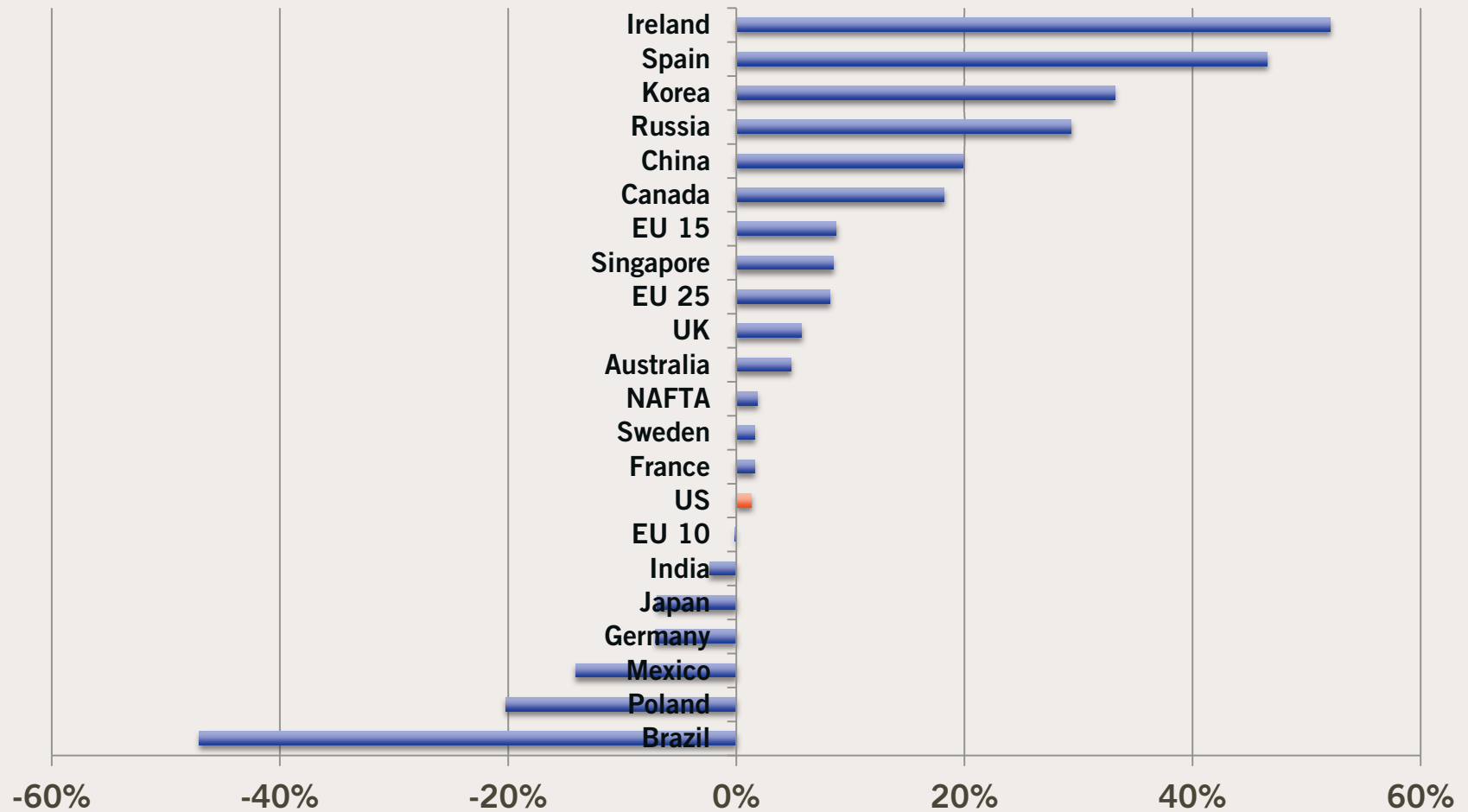


■ U.S. Now a Less Attractive Location for Investment

- 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

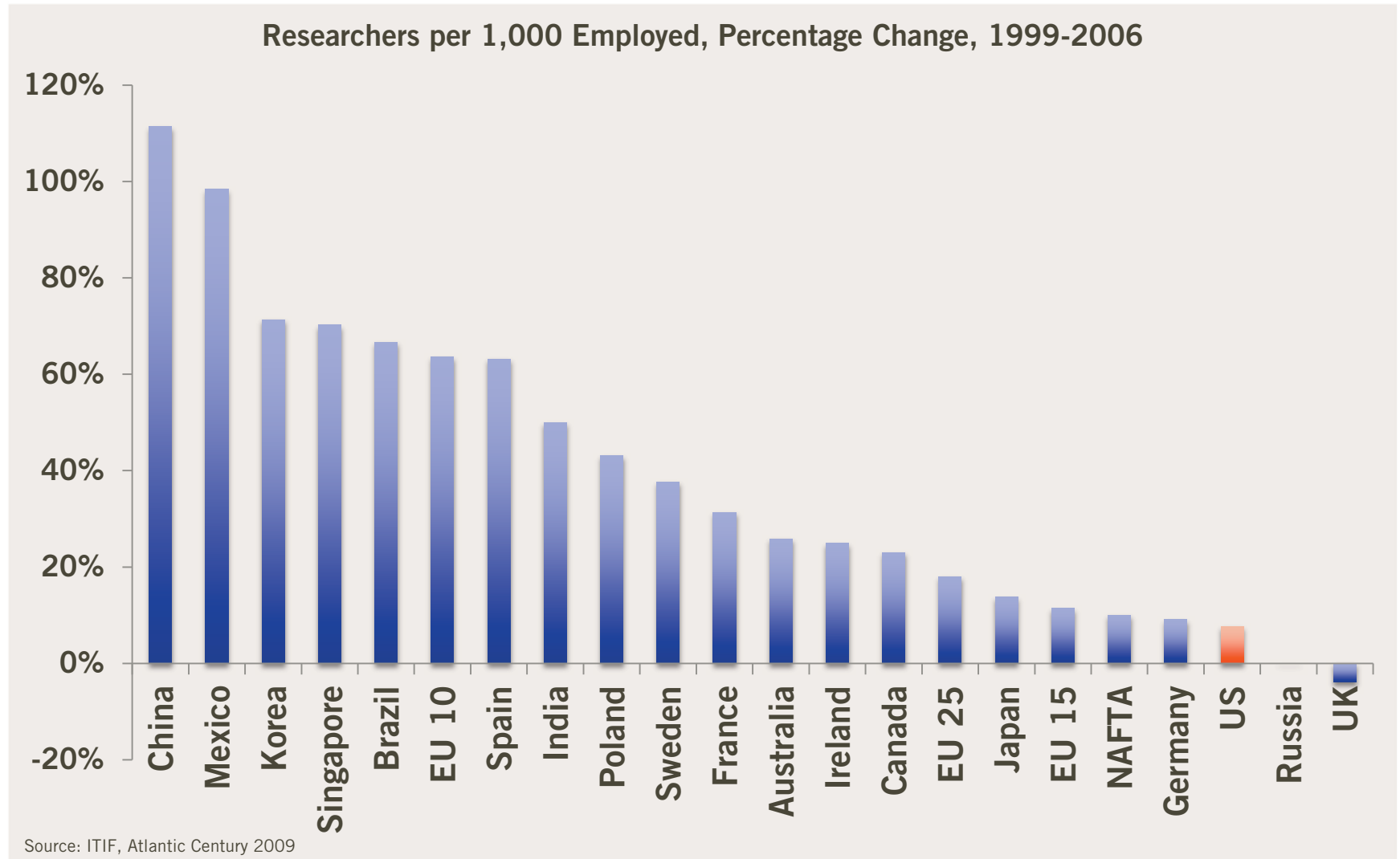
■ Growth in U.S. Federal R&D Investment Stagnate

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

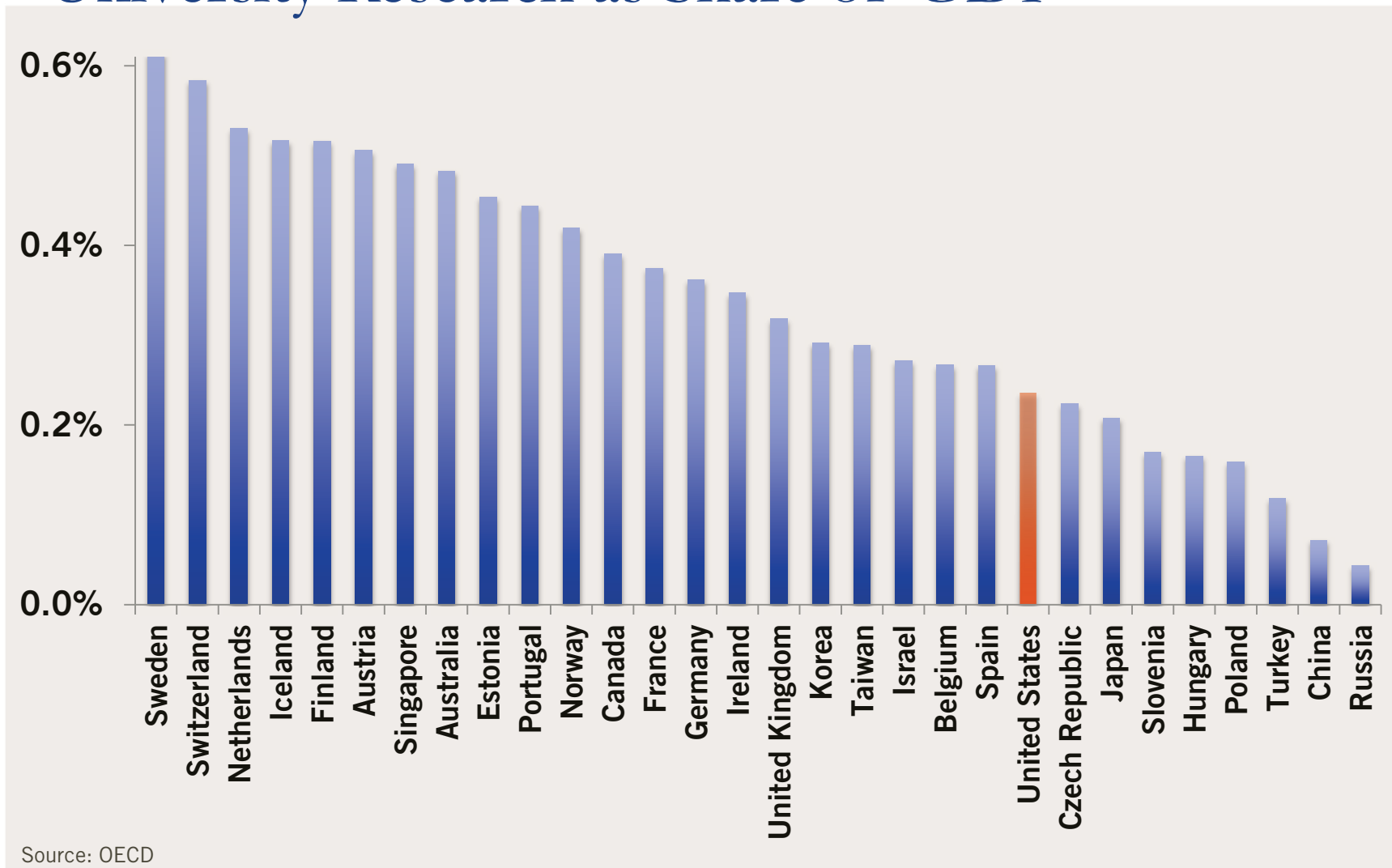


Source: ITIF, Atlantic Century 2009

■ 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

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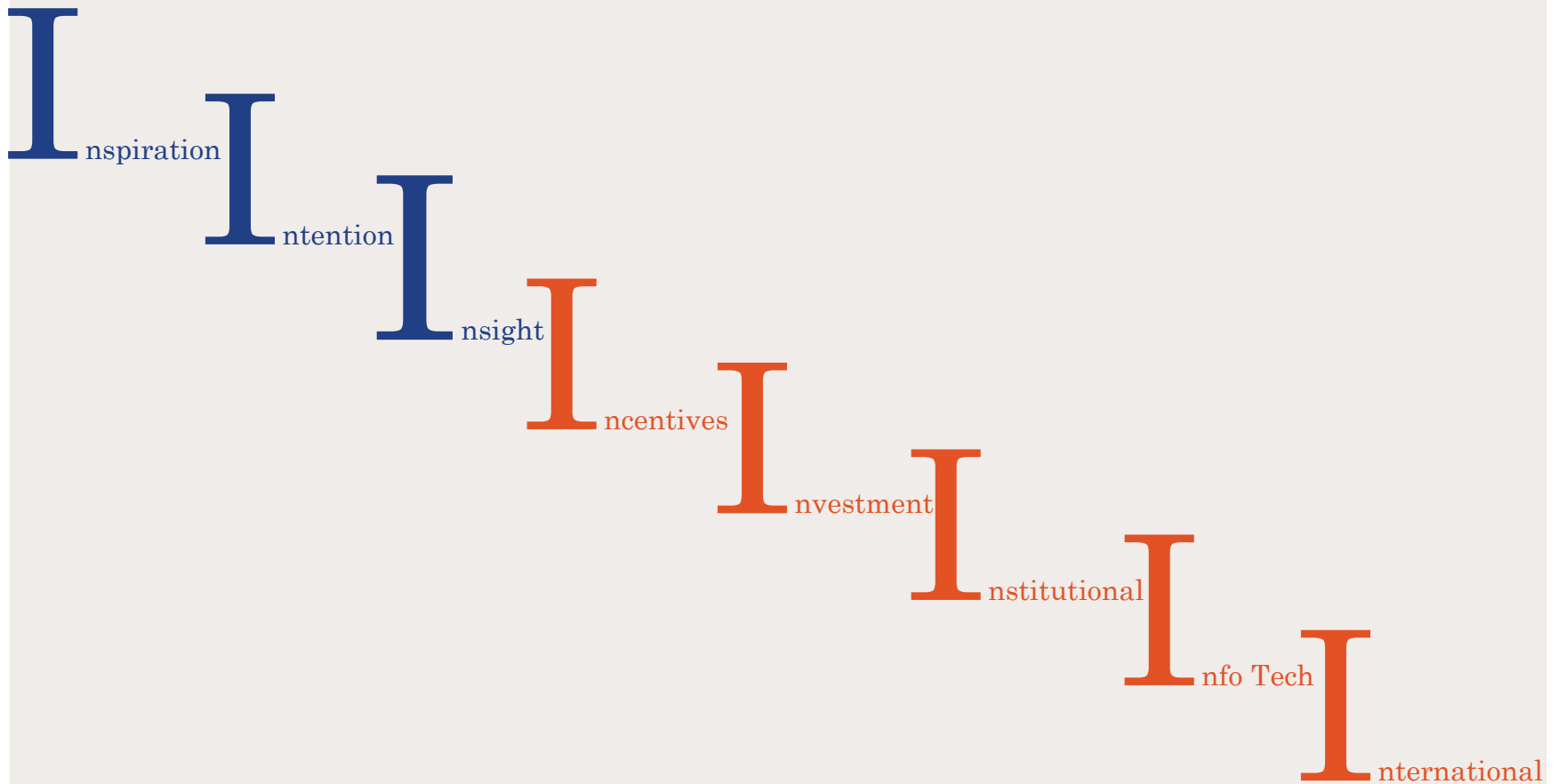
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■ Apply the 8 “I’s” of Innovation Policy



■ Inspiration



■ Intention



■ Insight: the U.S. is Falling Behind



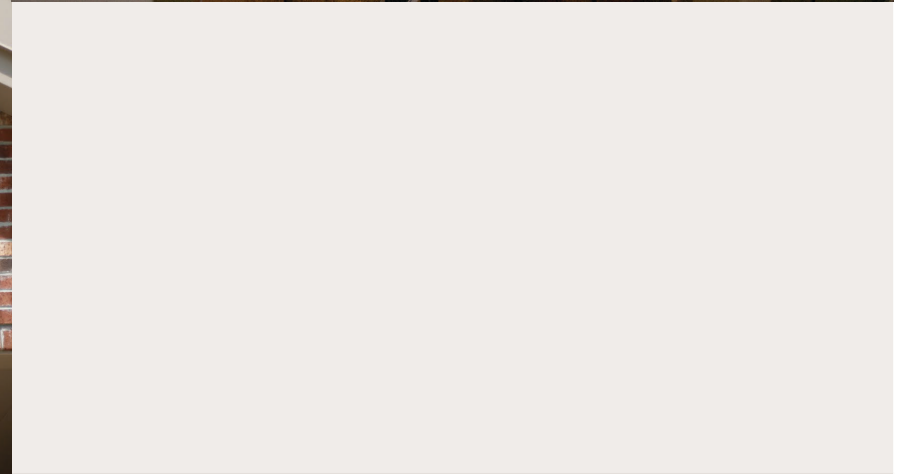
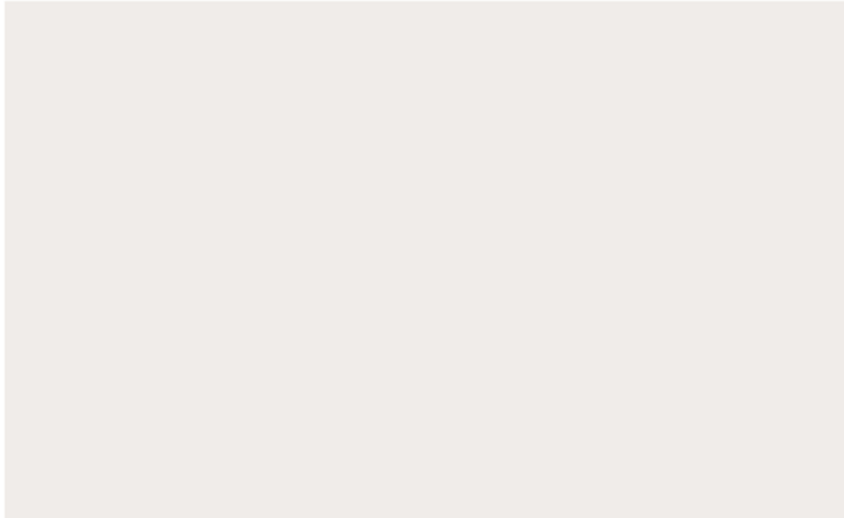
■ Incentives



■ Investment



■ Institutional Innovation



■ Information Technology



■ International



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■ A Failed Washington Economic Consensus



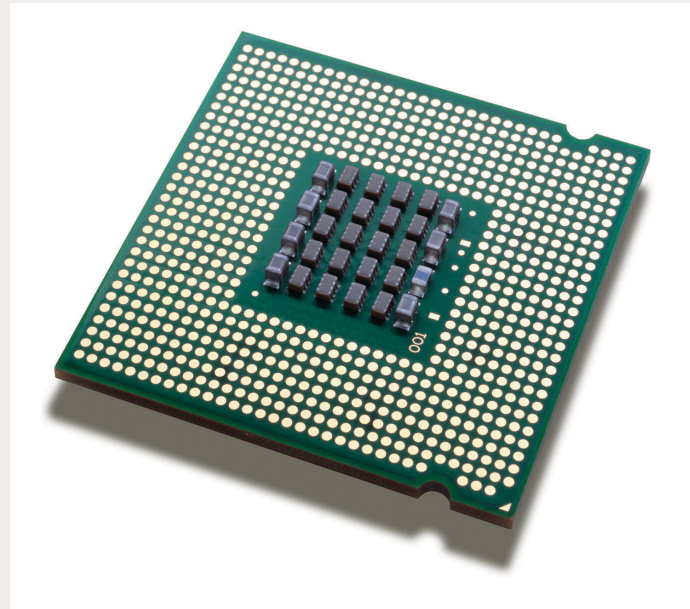
- We Need a Washington Innovation Consensus



■ We Need to Recognize that Manufacturing and Tech are Special



=



?

And Overcome Innovation & Competitiveness

- Policy Getting Caught Up in Partisan Conflict



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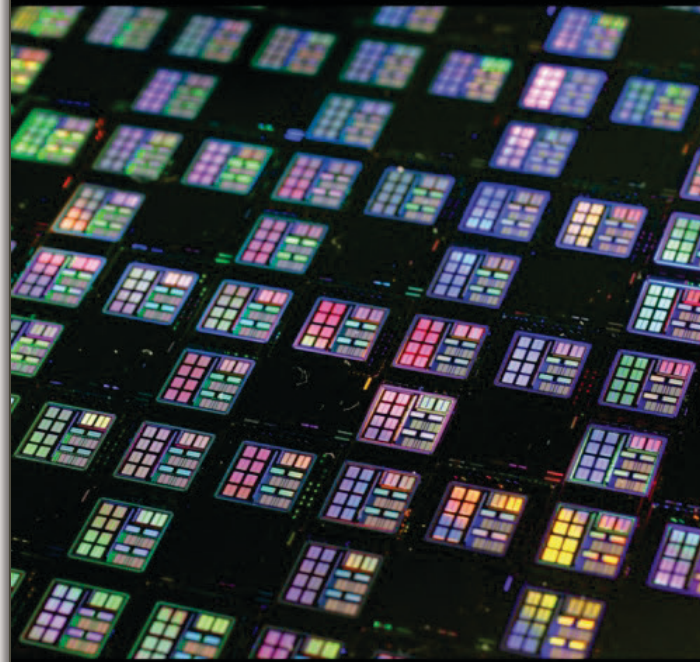
Getting Inspired to Win

■ Your Voice Needs to Be Heard



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Robert D. Atkinson and Stephen J. Ezell

Thank You

Robert Atkinson ratkinson@itif.org

www.globalinnovationrace.com

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