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 “horizontals”: trade, tax, talent, tech and regulatory policy

- “Innovation economics” as an alternative to mainstream neoclassical economics
### Today’s Presentation

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<td>What’s Happened to the U.S. Economy?</td>
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<td>What Should Cities/Regions Be Doing?</td>
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U.S.: Worst Recession Since the 1930s
Caused by Deep Manufacturing Job Losses in the 2000s
All But One State Saw Manufacturing Losses, 2000-2010
Many Fewer Major Industrial Manufacturing Relocations & Expansions To Go After

Average Annual U.S. Industrial Relocations, Source: Innovation Economics, ITIF, 2012
Countries and States are now Price Takers
Other Countries Sought to Win Through “Good” Innovation Policies

1. R&D tax incentives
2. Expanded funding for R&D, including industrially-relevant
3. Infrastructure investment
4. Lower corporate taxes
5. STEM education
6. Technology development policies
But Also “Ugly” Ones

1. Currency Manipulation
2. Standards Manipulation
3. IP Theft
4. Forced Tech Transfer
5. Forced Joint Ventures
6. Discriminatory Government Procurement
7. Export Subsidies
While the U.S. Failed to Respond
- U.S. Now a Less Attractive Location for Investment
  - Highest corporate tax rate in the OECD
  - 27th most generous (& unstable) R&D tax credit
  - Stagnant science funding (22nd in university research funding)
  - Faltering education system (23rd in science education)
  - Inadequate physical infrastructure (23rd in quality)
  - Counter-productive high-skill immigration policy
  - Too much short-termism in capital markets
Today’s Presentation

1. What’s Happened to the U.S. Economy?
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The 2012 State New Economy Index builds on prior State New Economy Indexes published in 1999, 2002, 2007, 2008 and 2010. The report uses 26 indicators, divided into 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 State New Economy Index

OVERALL SCORES
## State & Nation Rankings on Innovation Metrics

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*Source: Robert Atkinson and Scott Andes, *Atlantic Century II: Benchmarking EU & U.S. Innovation and Competitiveness.* (Indicators: education, researchers, corporate R&D, broadband, GDP (or GSP) per worker, and productivity*
Maryland in the 2012 State New Economy Index

Scores Best:
- Non-industry Investment in R&D (2nd)
- Workforce Education (2nd)
- Scientists and Engineers Per Capita (4th)
- High-Tech Jobs (4th)
- Quality of Broadband Telecommunications (4th)

Scores Worst:
- Entrepreneurial Activity (30th)
- Health IT (28th)
- Foreign Direct Investment (24th)
- Export Focus of Manufacturing and Services (24th)
- High-Wage Traded Services (23rd)
Today’s Presentation

1. What’s Happened to the U.S. Economy?
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3. What Should Cities/Regions Be Doing?
Getting the Framework Right

- Still important to get the business climate right and get costs to compete the lowest (e.g. tax, energy, regs.).

- But success today requires creating an institutional environment that supports innovation, entrepreneurship, technological change, and higher skills; particularly by:

  - Spurring high-growth entrepreneurship and enhancing the innovation potential of existing enterprises.
Create a Region Based on Learning and Innovation Through the Three “T’s”

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Tax

- Eliminate job creation tax credits and instead use those funds to implement investment tax credits.

- Establish a collaborative R&D tax credit for industry expenditures at universities and colleges.
Technology

- Revitalize urban manufacturers (fully fund MEP).
- Expand manufacturing technology programs at high schools and community colleges.
- Implement innovation vouchers.
- Pilot programs for university tech commercialization.
Talent

- Support institutional innovation in education/create alternative types of STEM high schools & universities. E.g. Harrisburg University of Science and Technology, Olin College of Engineering

- Co-invest in industry-led regional skills alliances.
Collaborate

- For many states/regions/cities, the main competition isn’t the one next door—it’s half a world away.

- Everyone has to collaborate to create a more competitive environment for U.S. enterprises.
Thank You

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