

April 7, 2011

Winning With Innovation-Based Economic Development in Iowa

Presentation at the
Regional Economic Summit

Dr. Robert Atkinson

President

Information Technology

and Innovation Foundation



ITIF is public policy think tank committed to articulating and advancing a pro-productivity and pro-innovation policy agenda internationally, in Washington and in the states. ITIF focuses on:

- Innovation processes, policy and metrics
- Science policy related to economic growth
- Digital transformation (E-commerce, e-government, e-health, etc.)
- ICT and economic productivity
- Innovation and trade policy

■ Today's Presentation

1

How's the U.S. Doing?

2

How Well Positioned is Iowa?

3

What to Do? Get the Principles Right

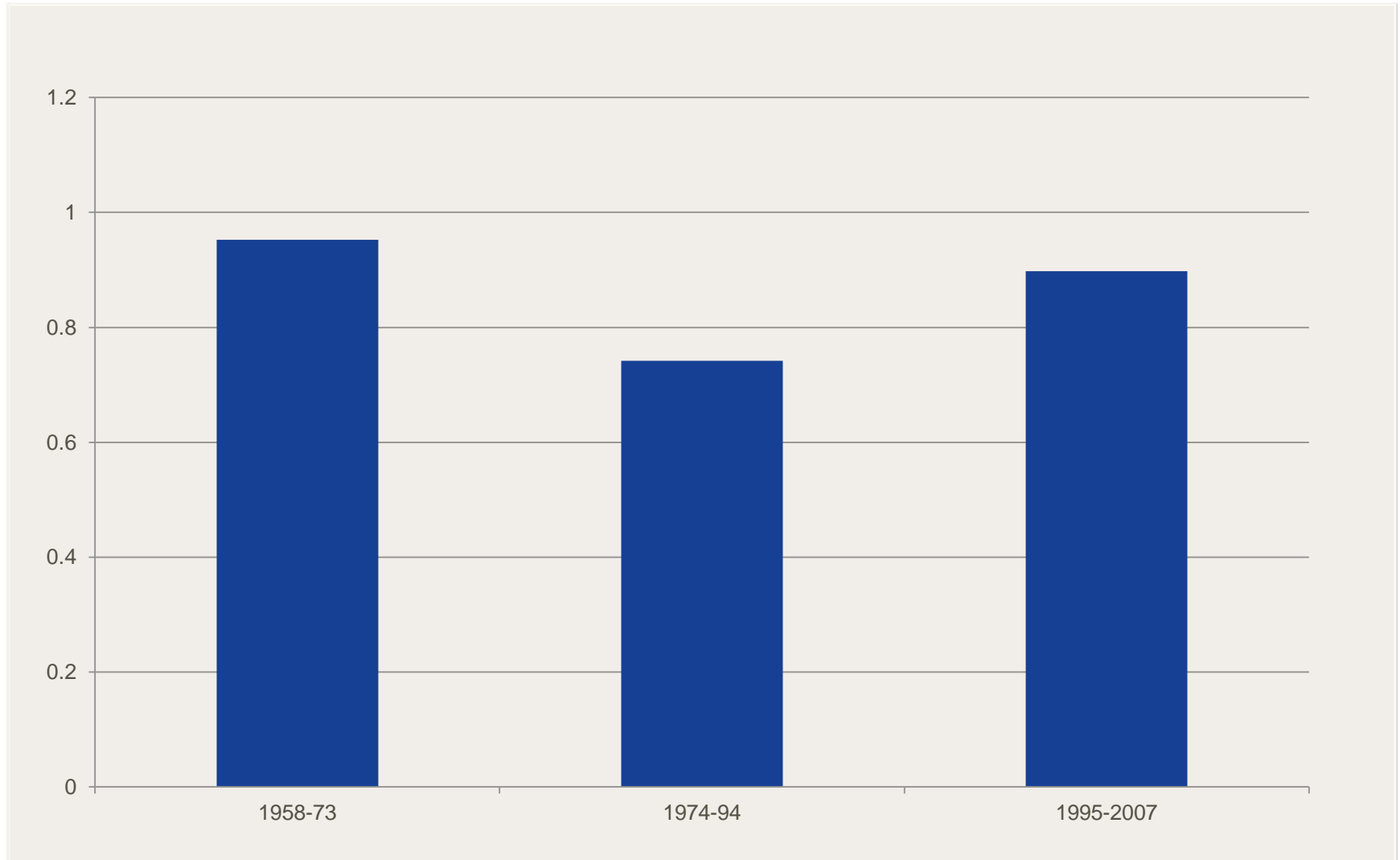
4

Driving Innovation

■ The Engine of U.S. Economic Growth Then



■ Iowa's Income Growth As a Share of Georgia's



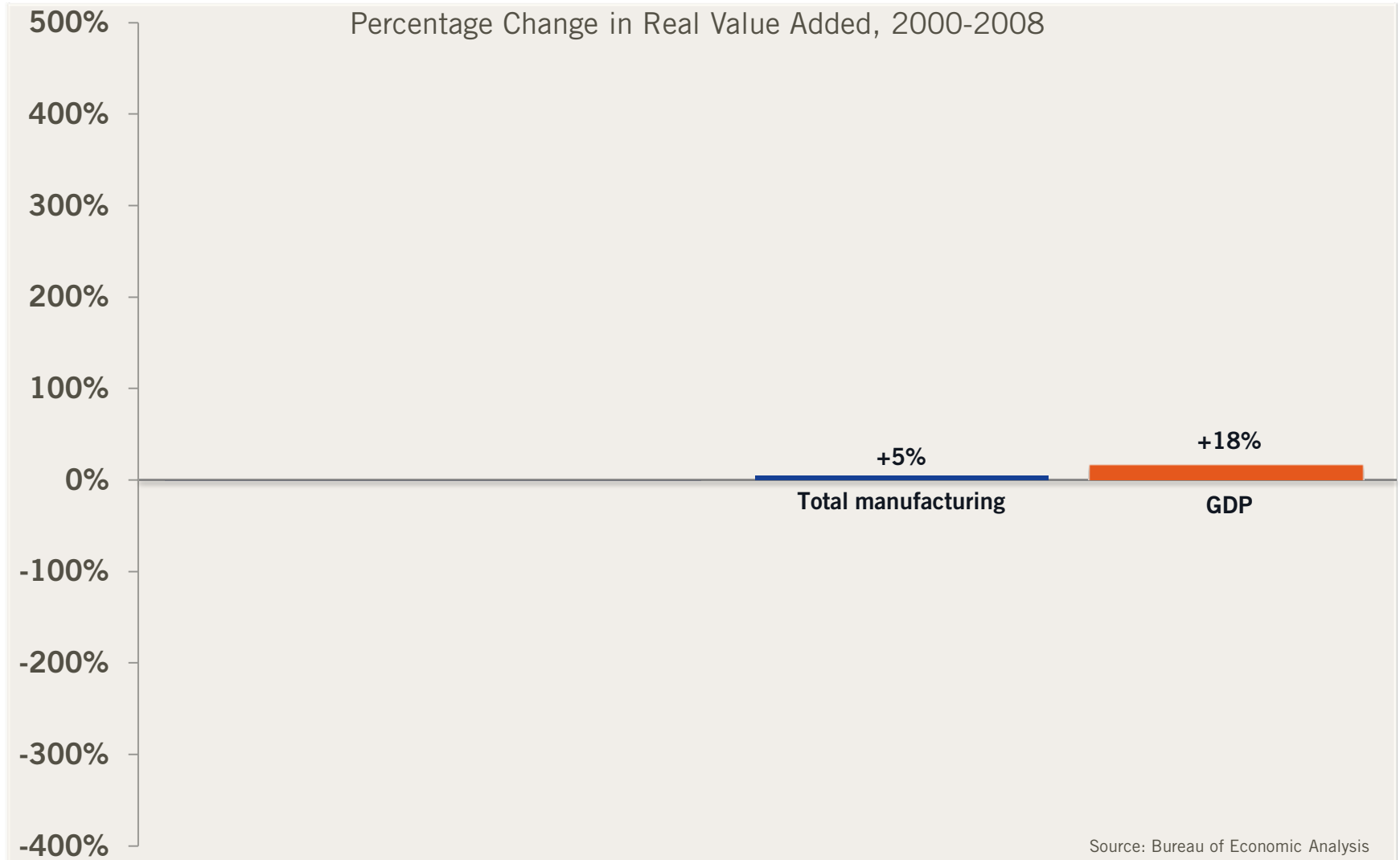
■ The Engine of U.S. Economic Growth Now



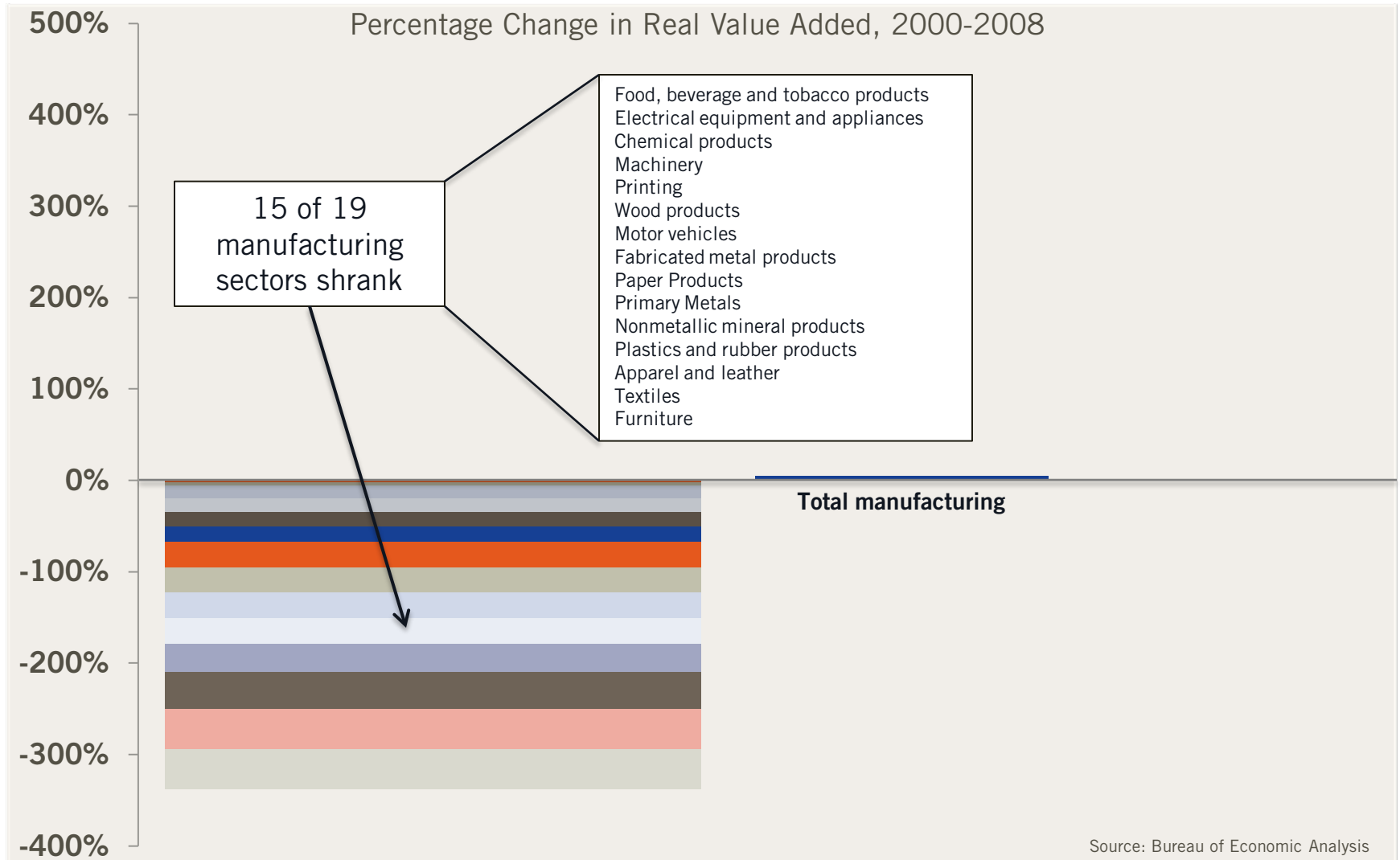
■ U.S. Manufacturing Competitiveness is Declining



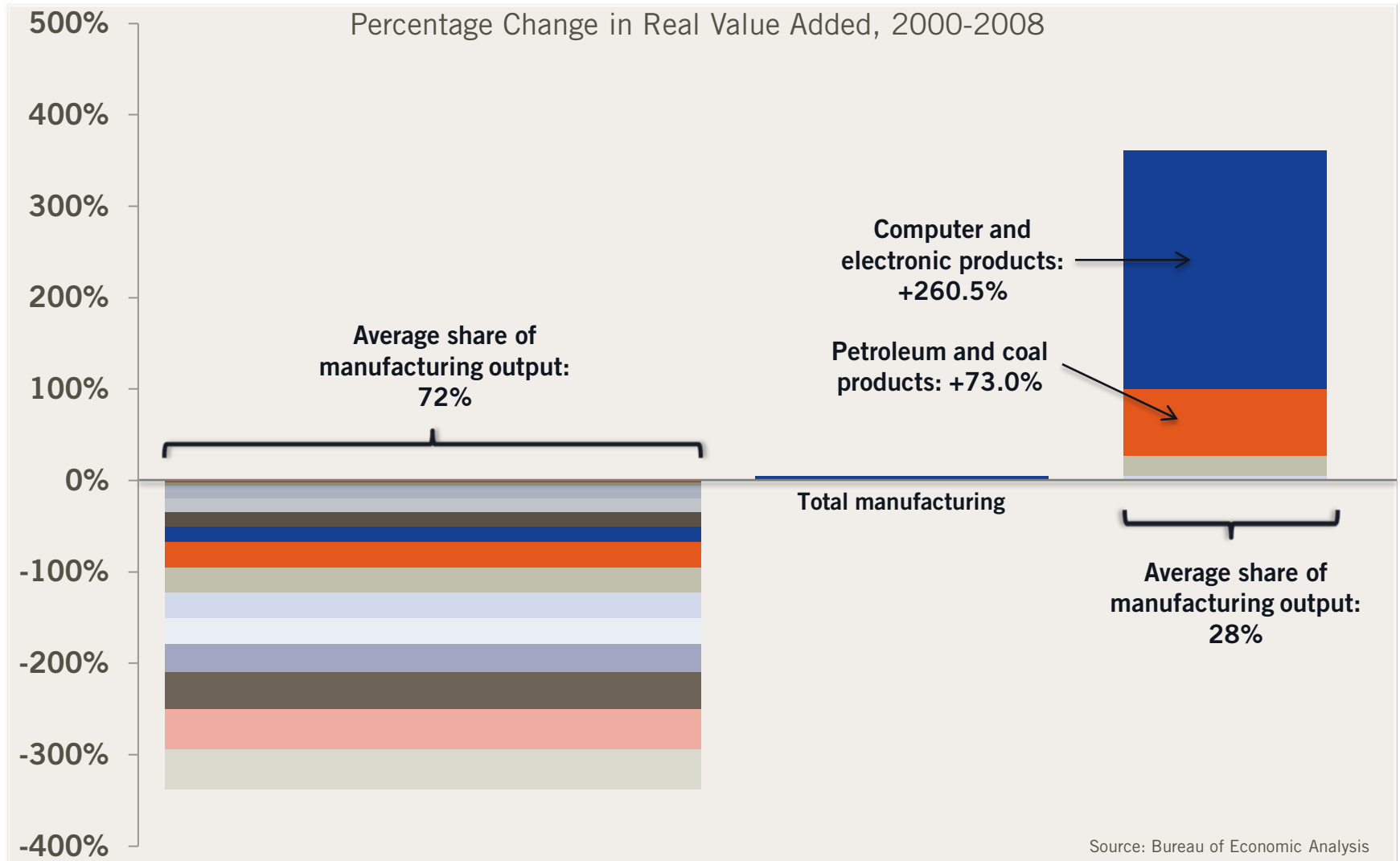
■ Manufacturing Has Grown More Slowly than GDP



■ But Most Manufacturing Sectors Shrank

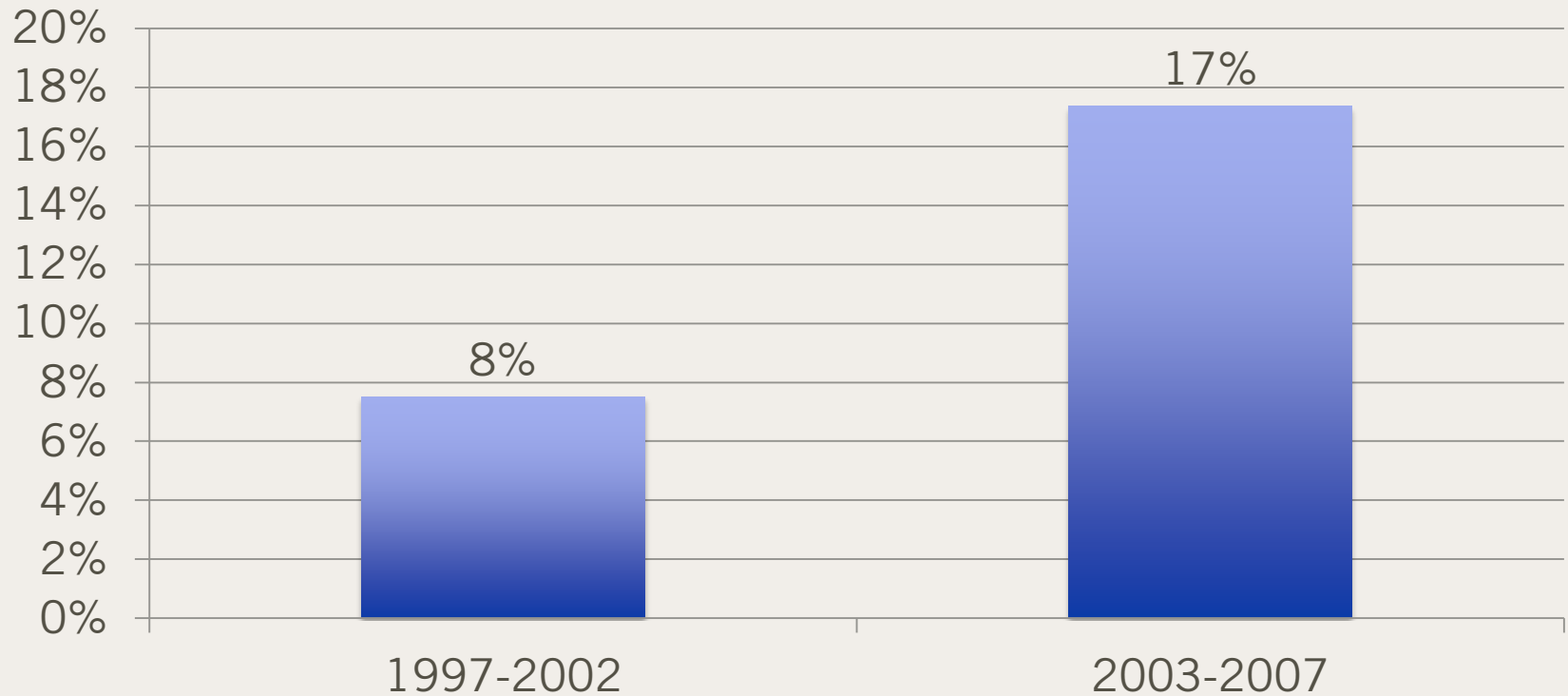


■ Only Four Sectors Grew



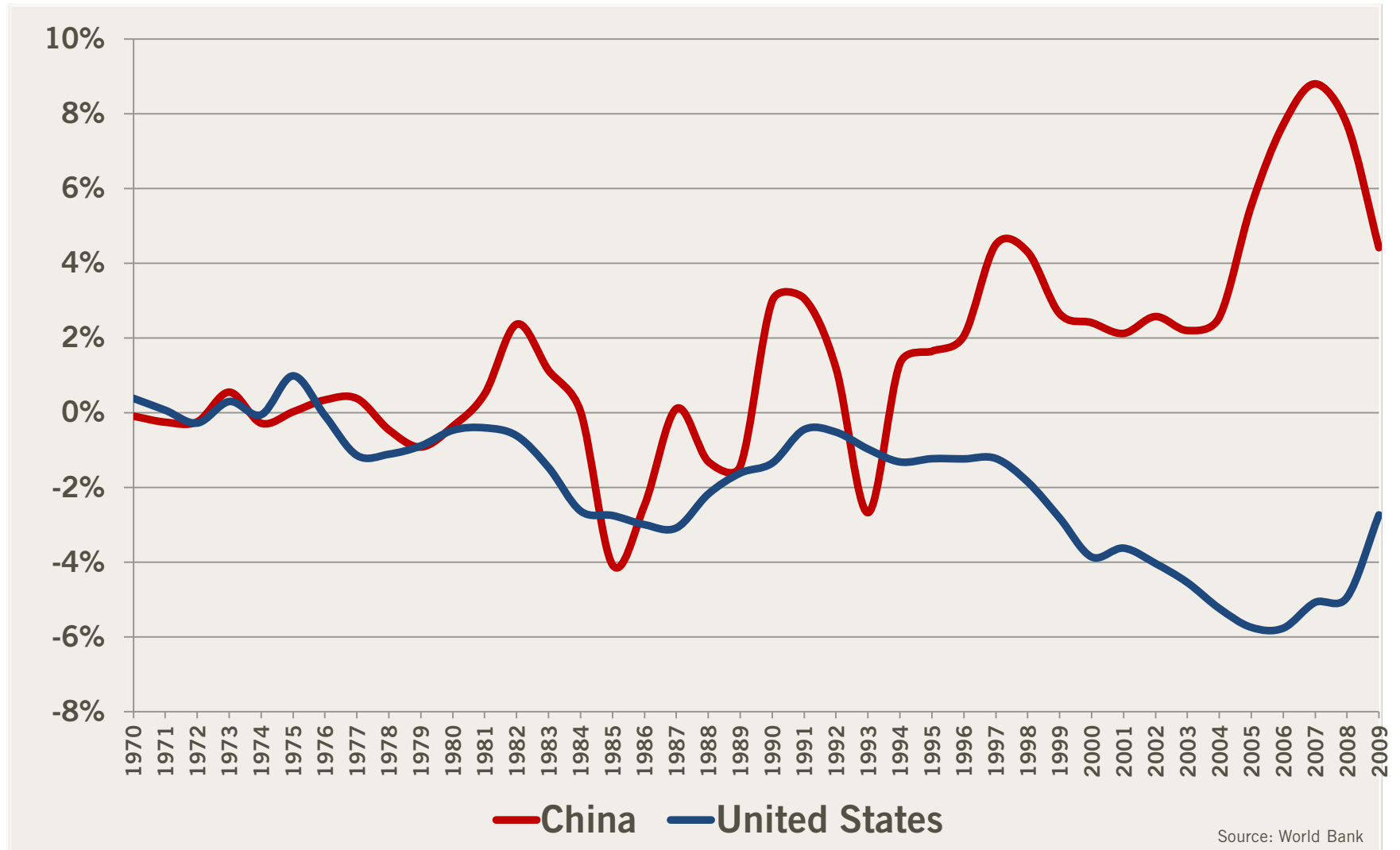
■ Fewer Manufacturing Opportunities

Capital Expenditure by U.S. Manufacturers Abroad
vs. All Manufacturers Domestically



Source: World Bank

■ Manufacturing Is Down Because Goods Trade Deficit is Up

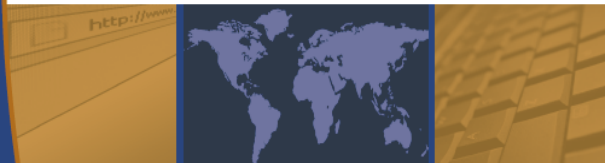


And the U.S. Is Falling Behind in the Race for Global Innovation Advantage



THE ATLANTIC CENTURY

Benchmarking EU & U.S.
Innovation and Competitiveness



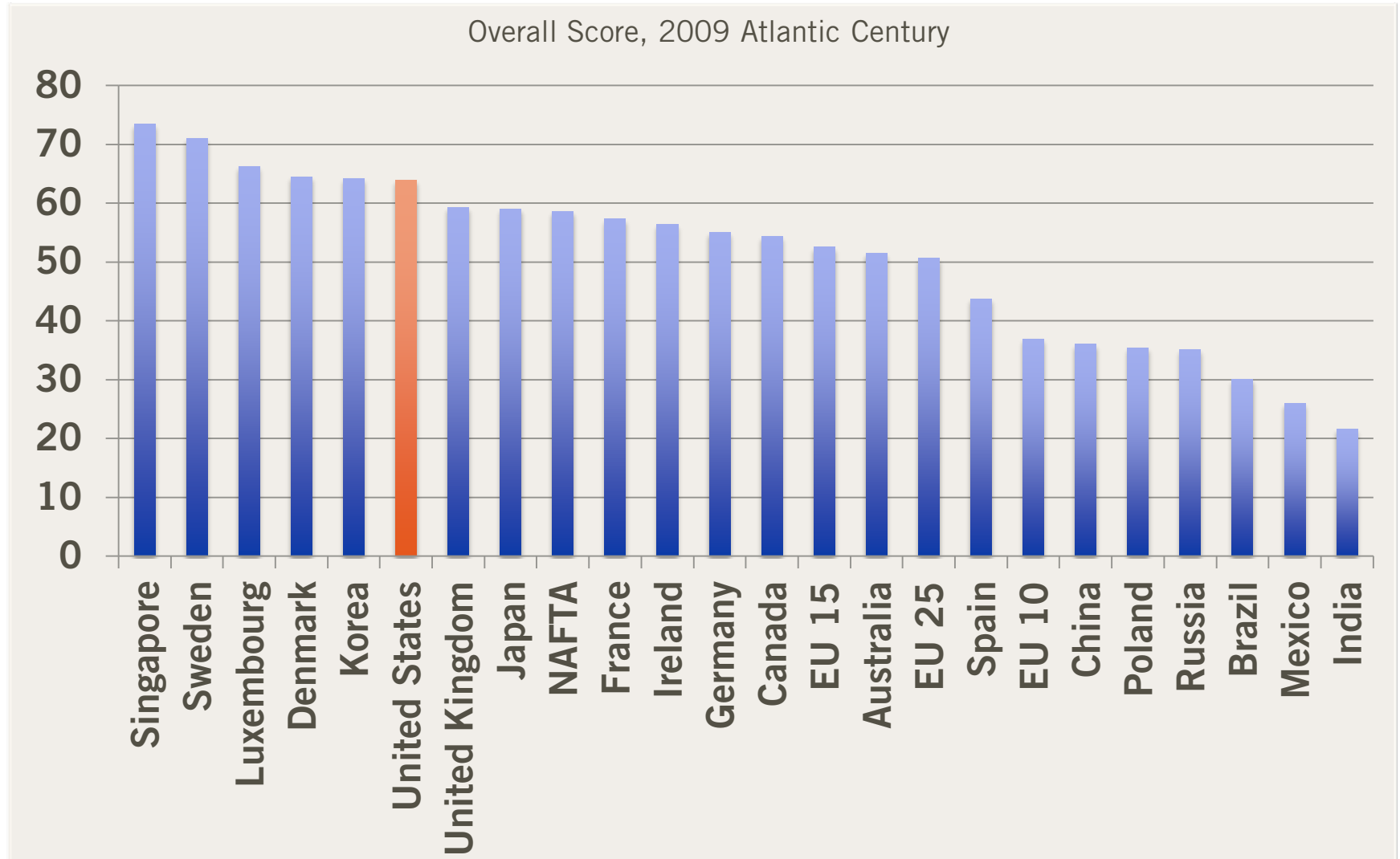
Robert D. Atkinson and Scott Andes
The Information Technology and Innovation Foundation
Washington, D.C.

February 2009



- **The Study:** comparing innovation-based competitiveness of 40 nations and regions.
- **16 indicators:** including corp R&D, government R&D, scientists and engineers, new firms, corp tax, productivity growth and others.

■ *The U.S. is no longer #1*



In Rate of Change from 1999, the U.S. is Behind....

1. China
2. Singapore
3. Estonia
4. Denmark
5. Luxembourg
6. Slovenia
7. Russia
8. Lithuania
9. Cyprus
10. Japan
11. Hungary
12. Slovakia
13. Czech Republic
14. India
15. Latvia
16. Austria
17. S. Korea
18. Ireland
19. EU-10
20. Spain
21. Sweden
22. France
23. Portugal
24. Malta
25. Belgium
26. EU-25
27. Poland
28. UK
29. EU-15
30. Mexico
31. Netherlands
32. Australia
33. Finland
34. Canada
35. Germany
36. Italy
37. NAFTA
38. Greece
39. Brazil
40. United States

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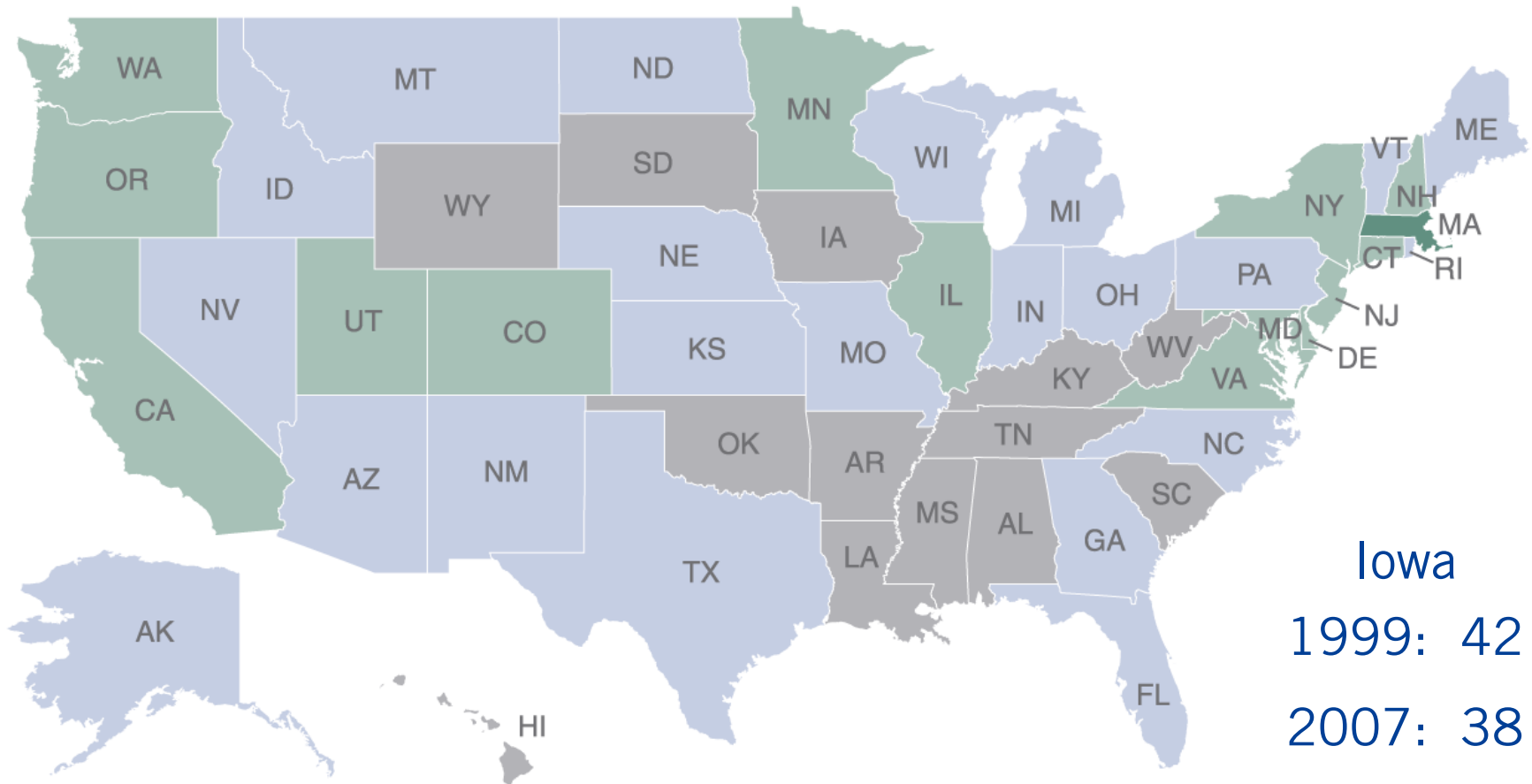
Driving Innovation

- The *2010 State New Economy Index* uses 5 groups of 26 indicators to
- map how well places are adapting to the New Economy:

- Knowledge Jobs
- Globalization
- Economic Dynamism
- Digital Economy
- Innovation Capacity

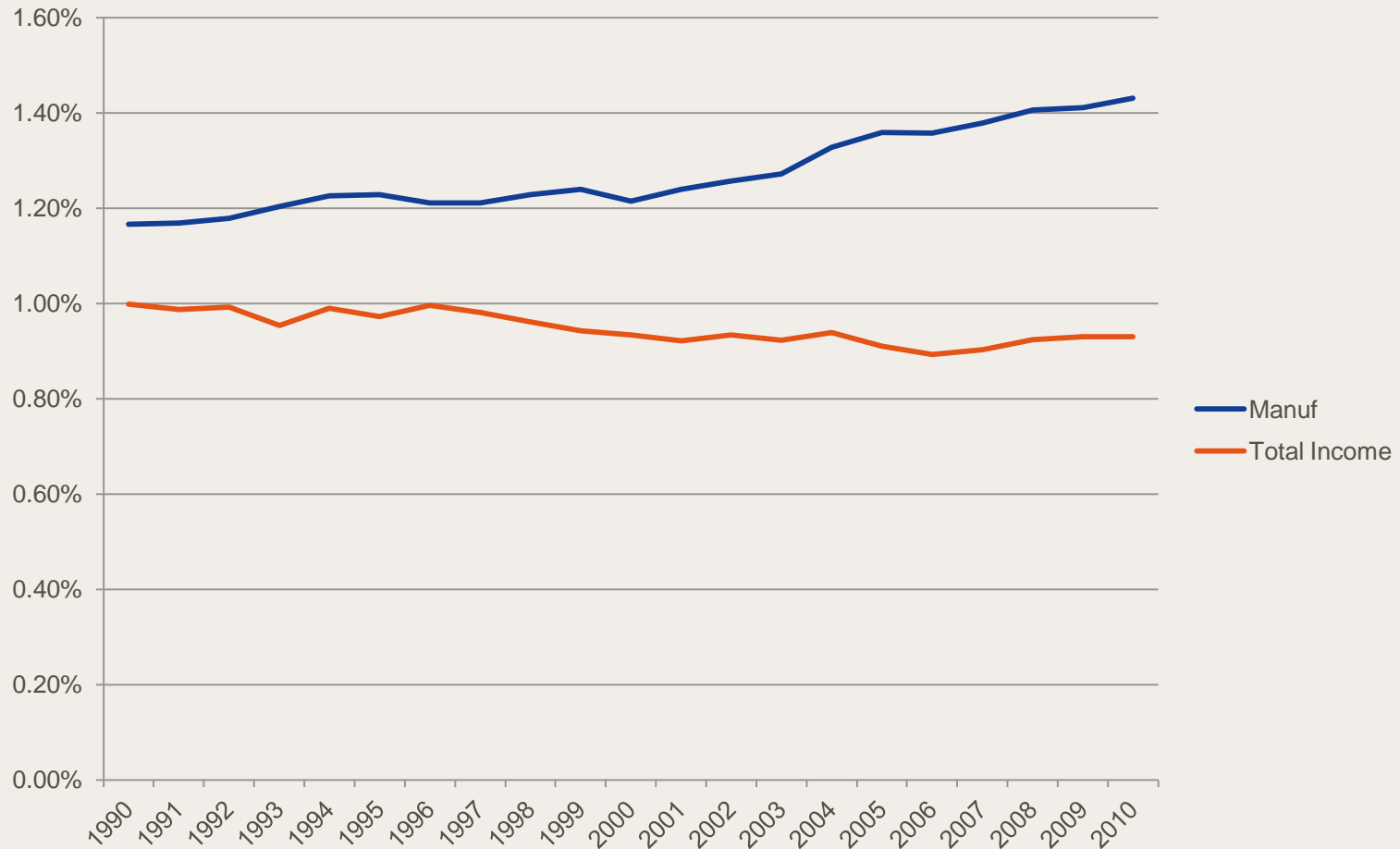


2010 SNEI Overall Scores

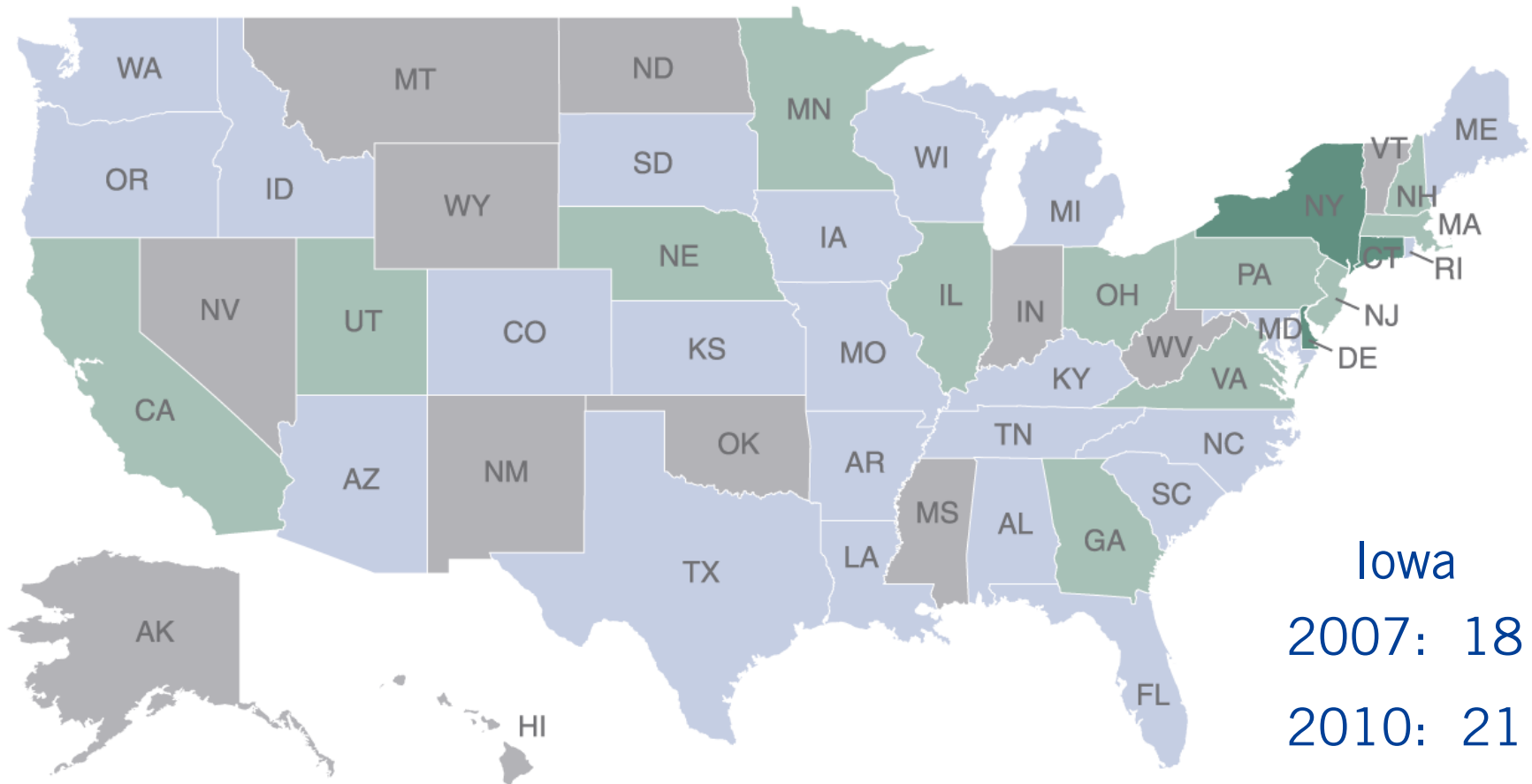


Iowa
1999: 42
2007: 38
2010: 38

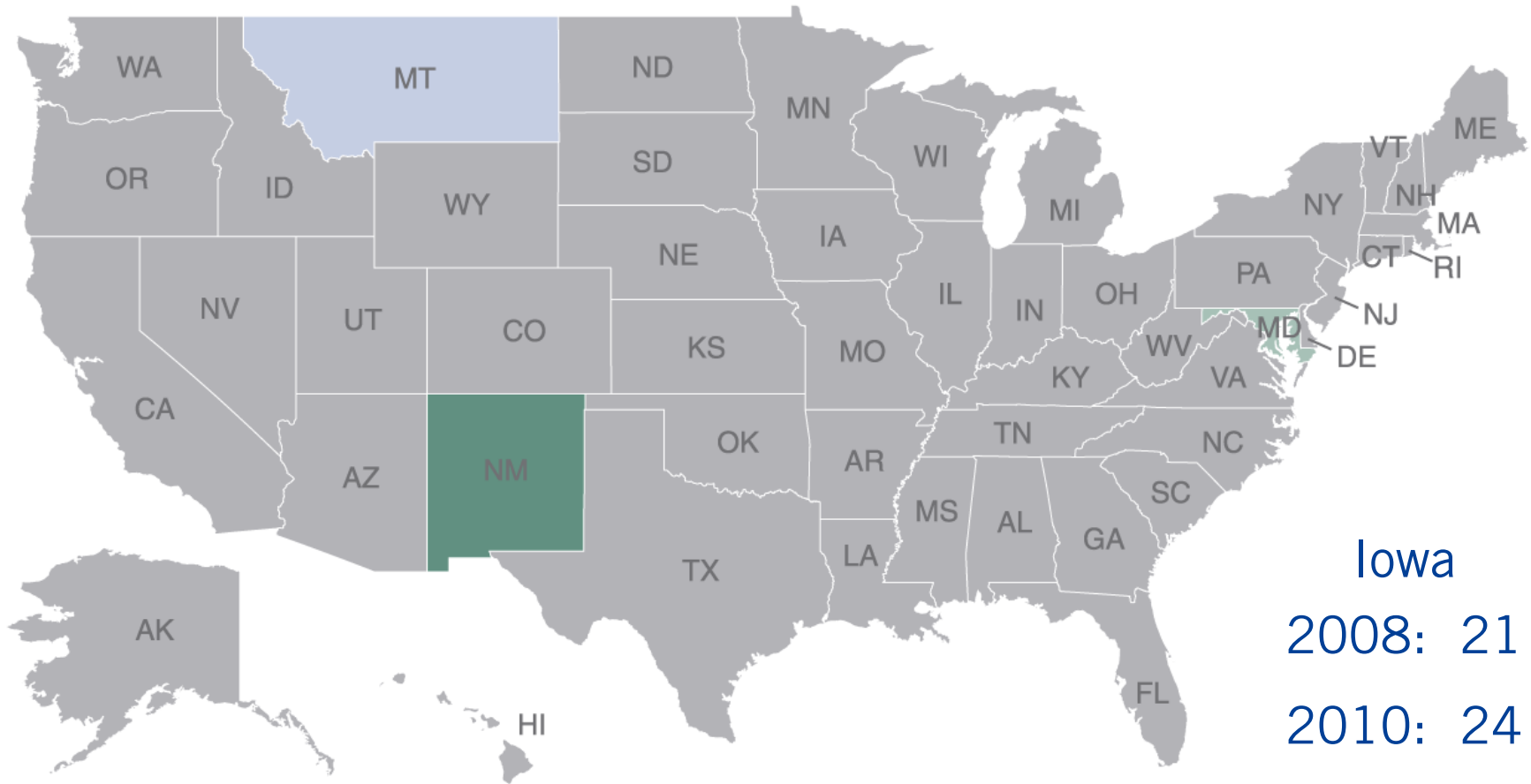
■ Iowa's Share of U.S. Manufacturing is Up



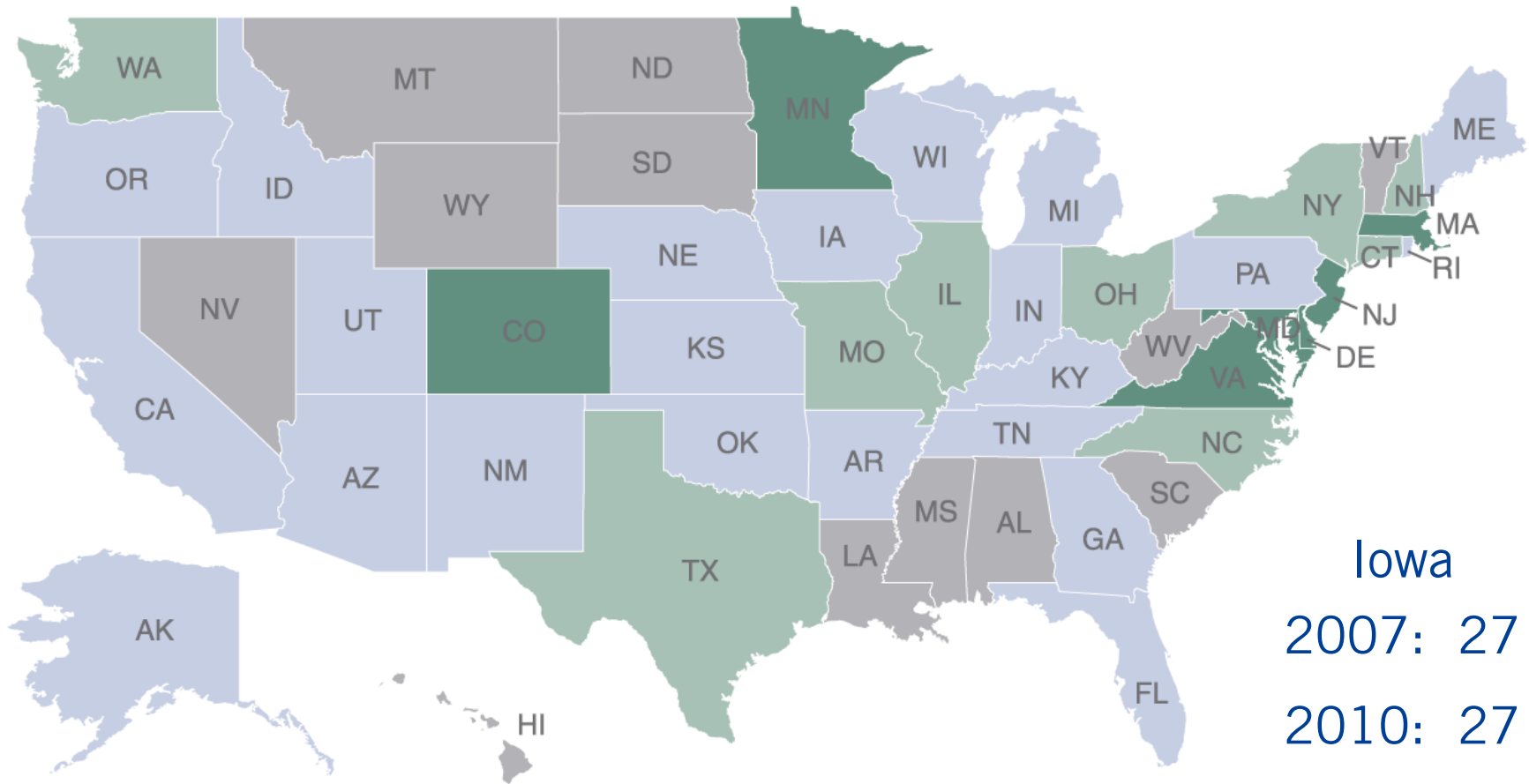
■ High-Wage Traded Services



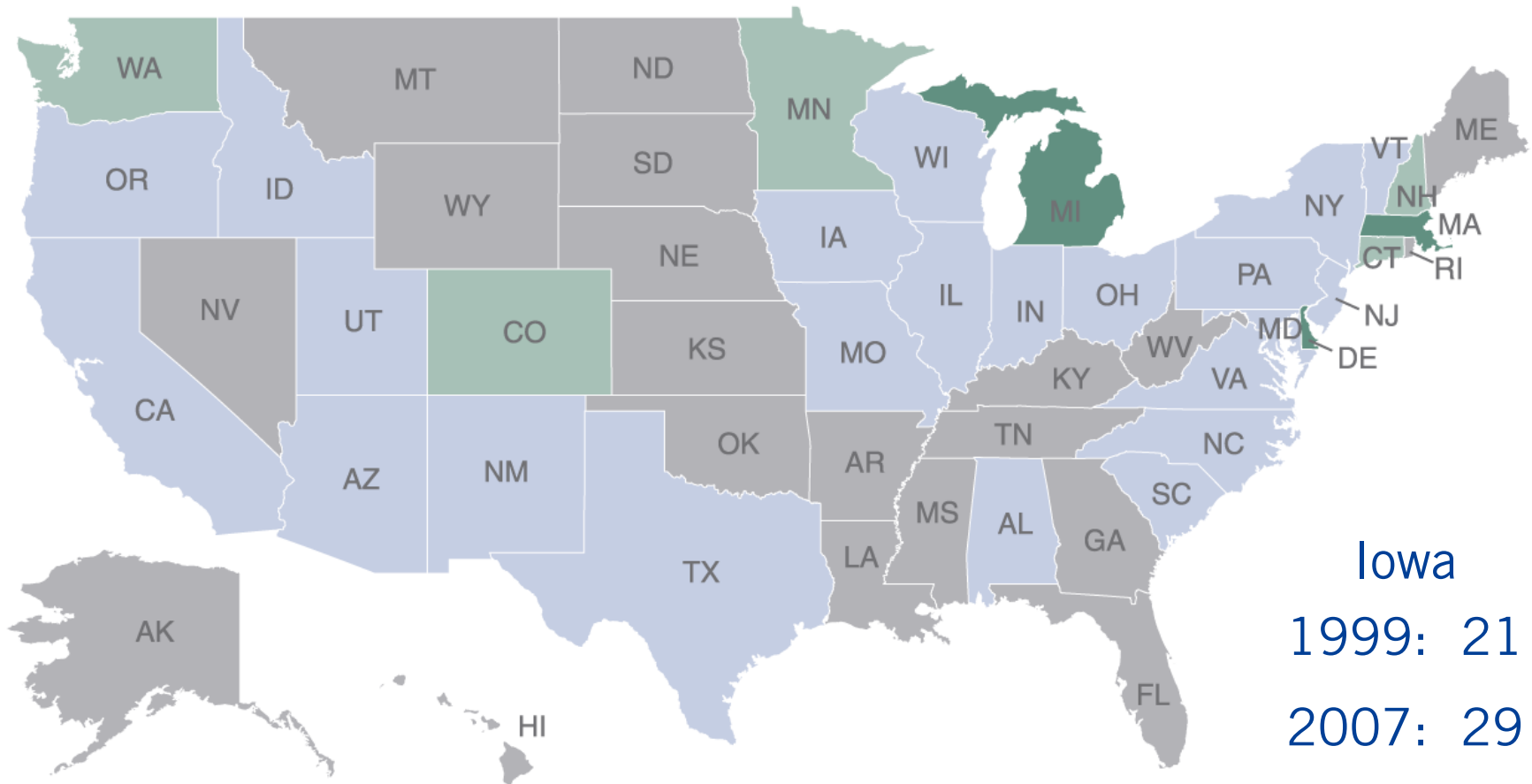
■ Non-Industry Investment in R&D



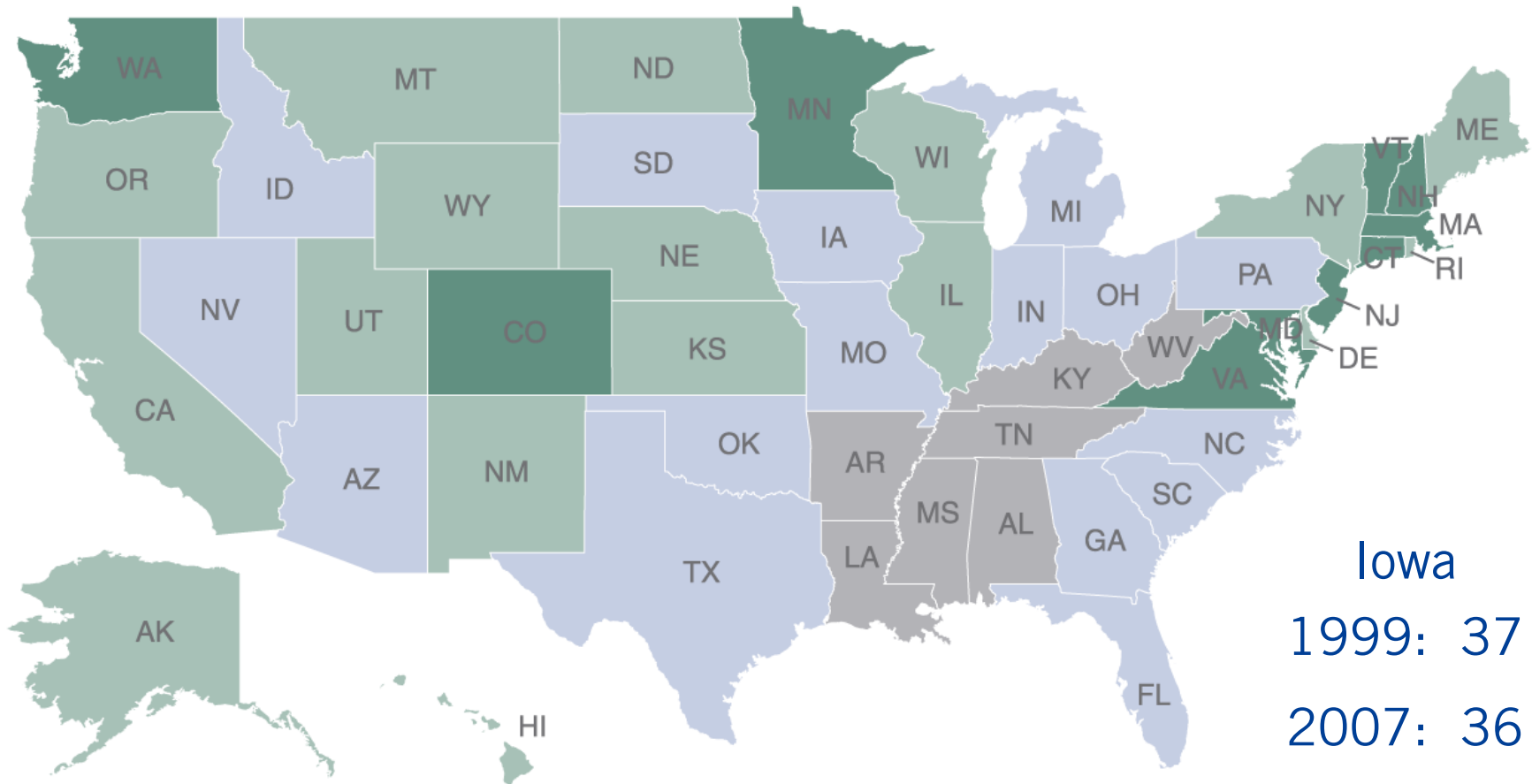
Information Technology Jobs



Industry Investment in R&D

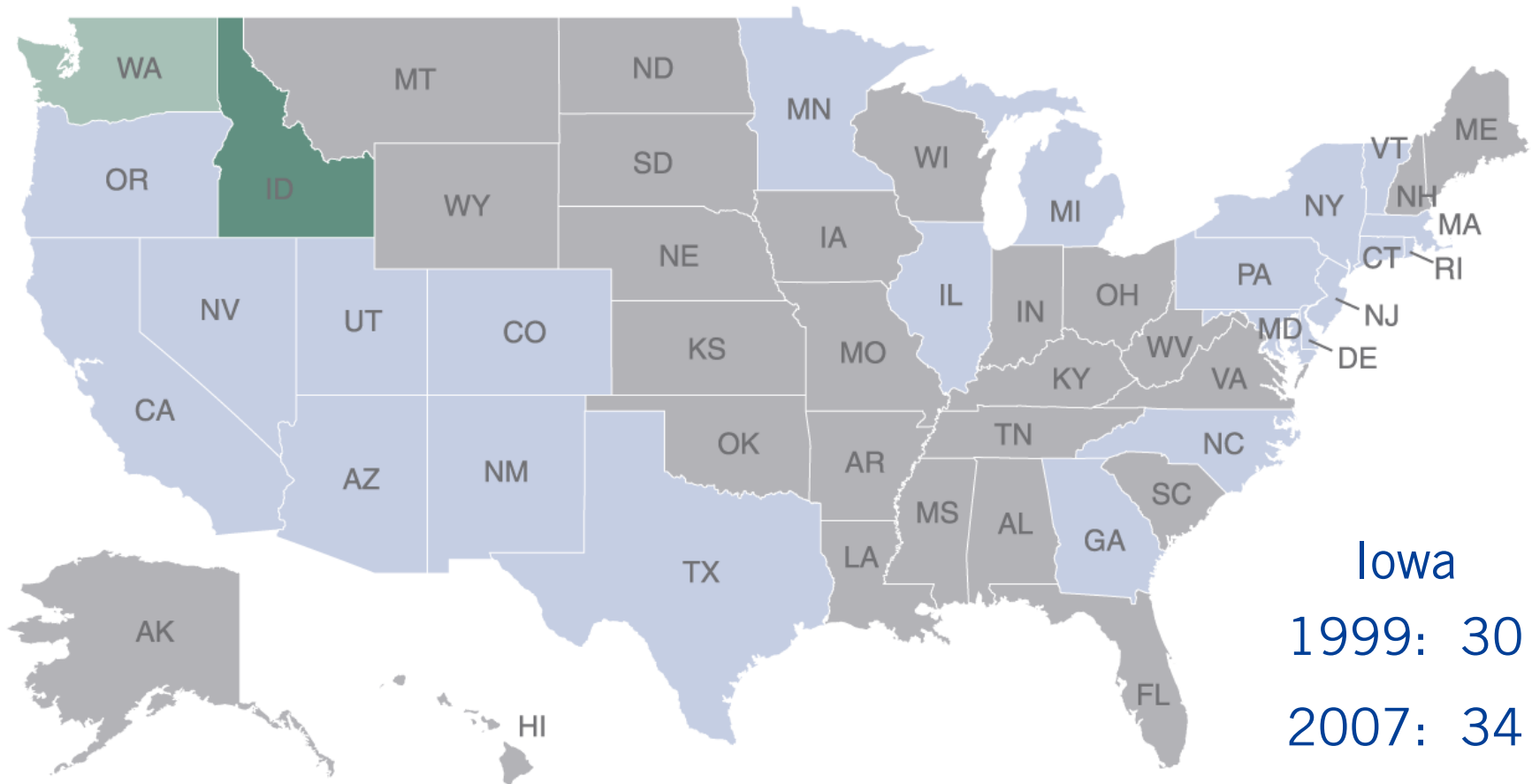


Workforce Education



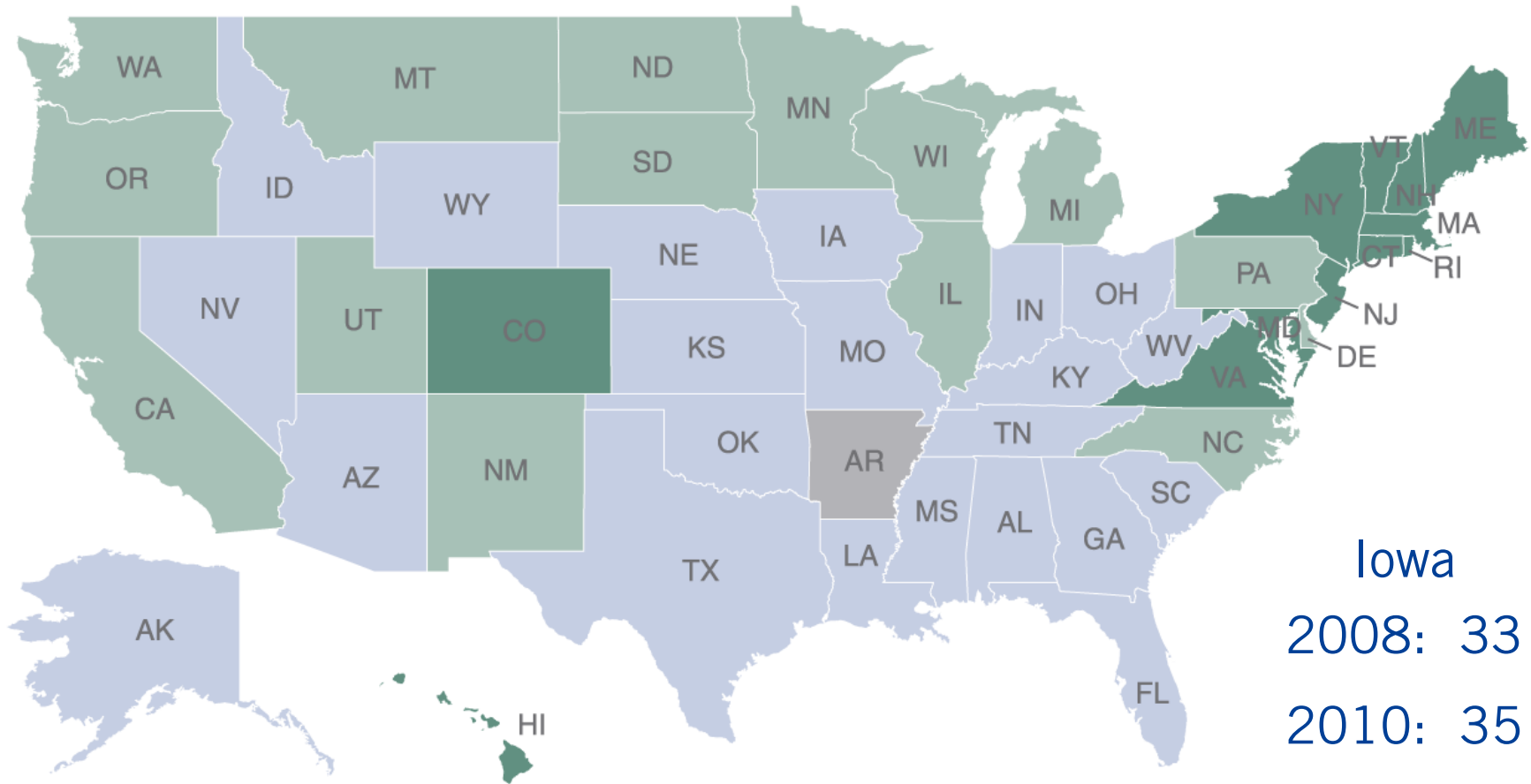
Iowa
1999: 37
2007: 36
2010: 31

Patents

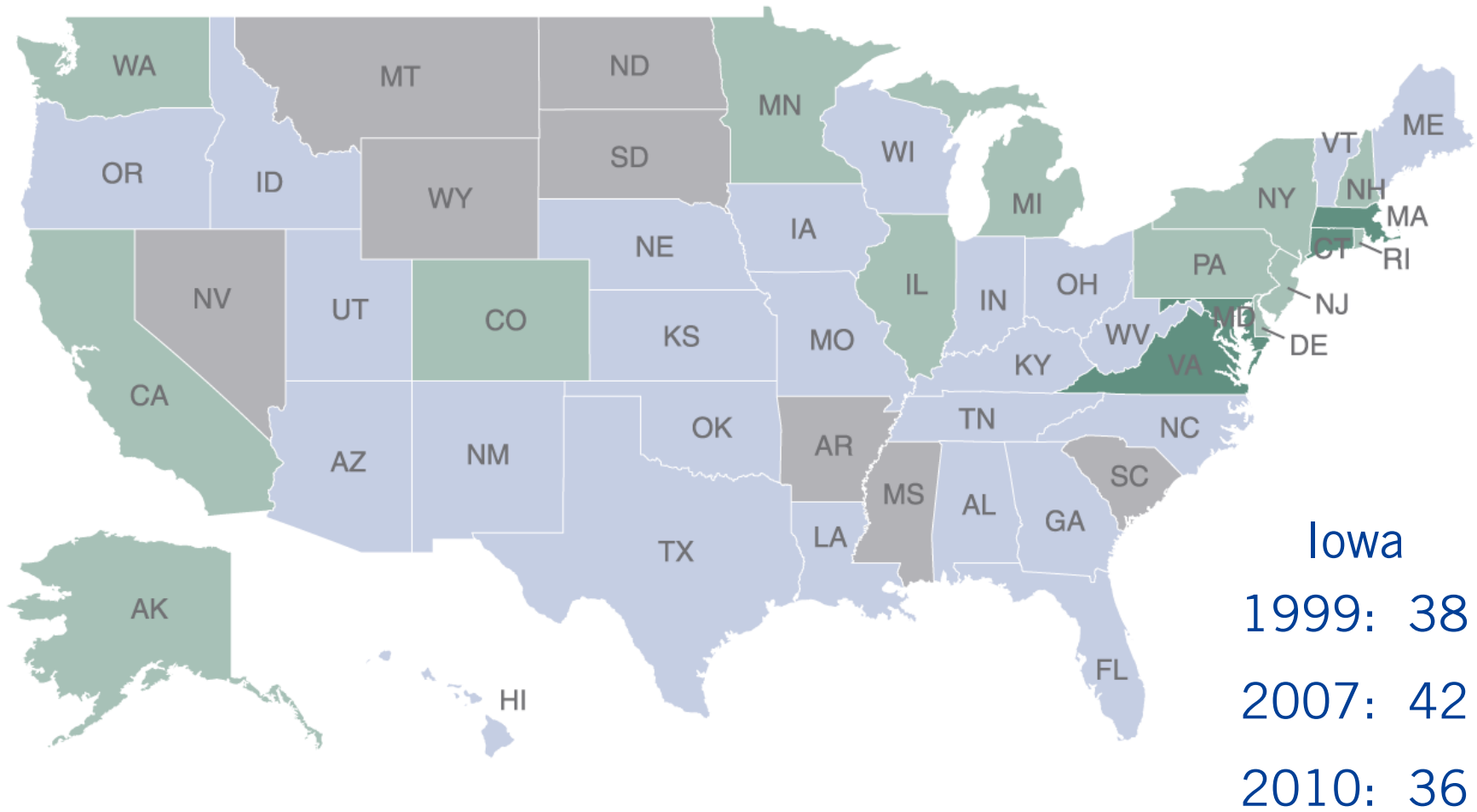


Iowa
1999: 30
2007: 34
2010: 33

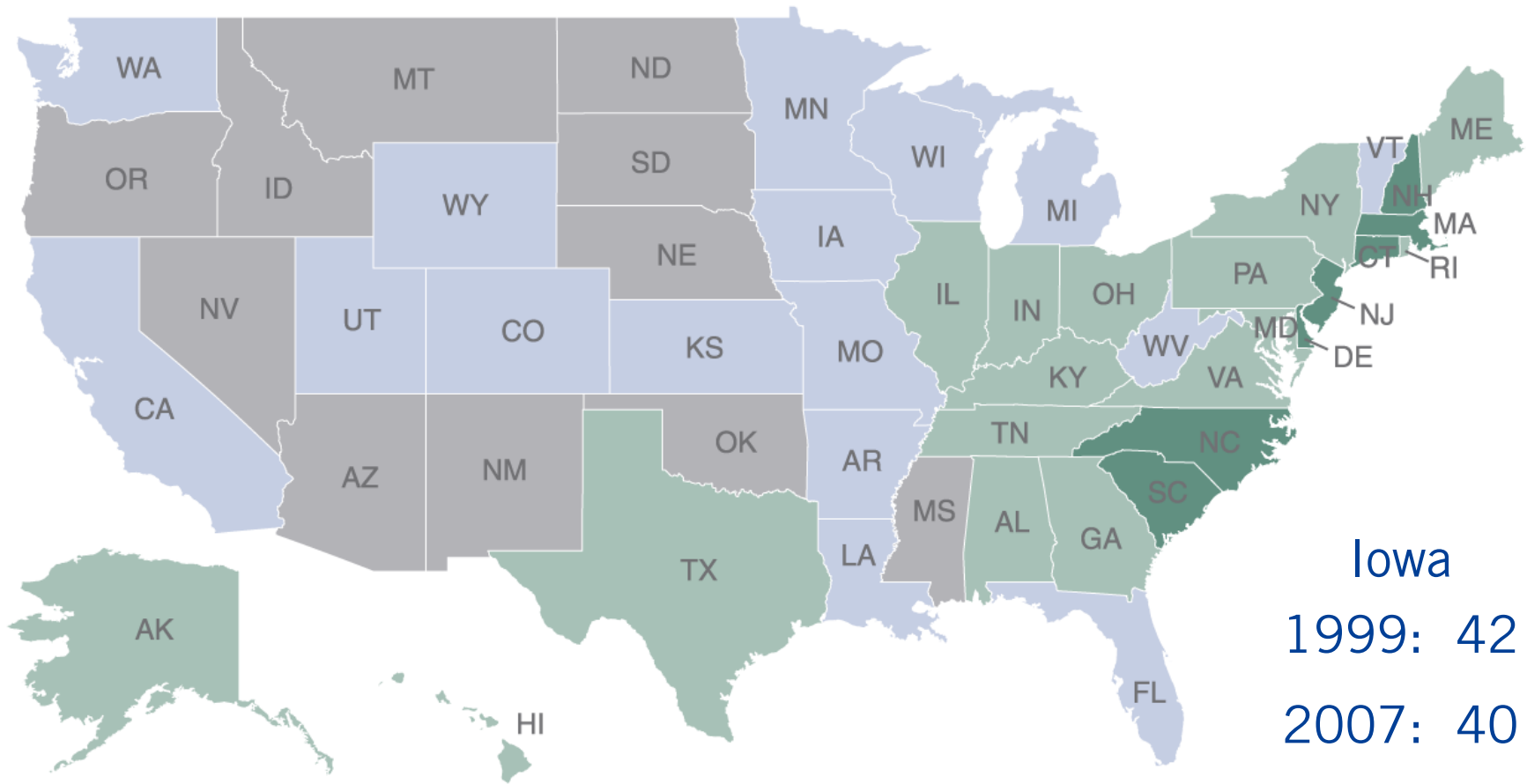
Migration of U.S. Knowledge Workers



■ Managerial, Professional, and Technical Jobs

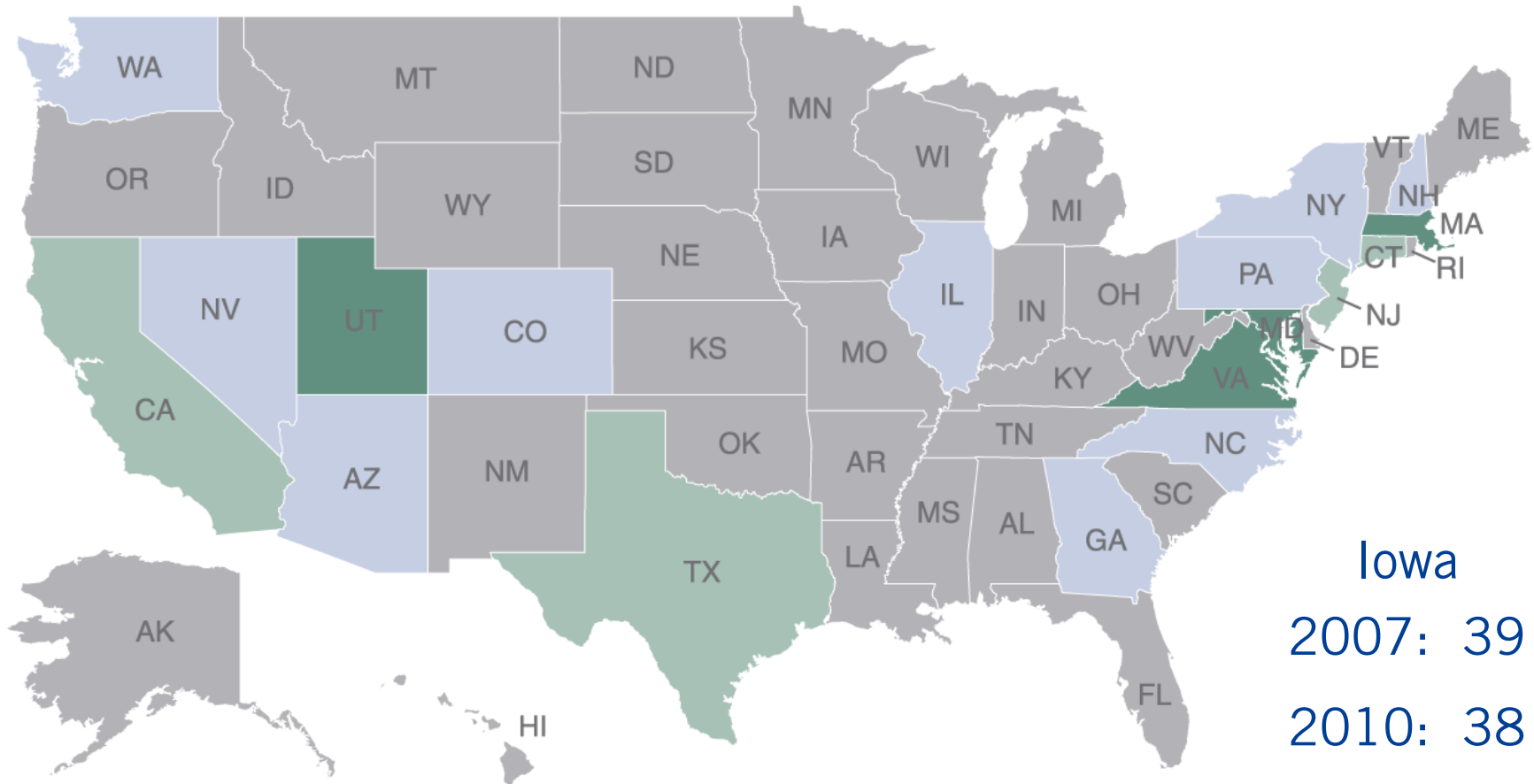


Foreign Direct Investment



Iowa
1999: 42
2007: 40
2010: 37

Fastest Growing Firms



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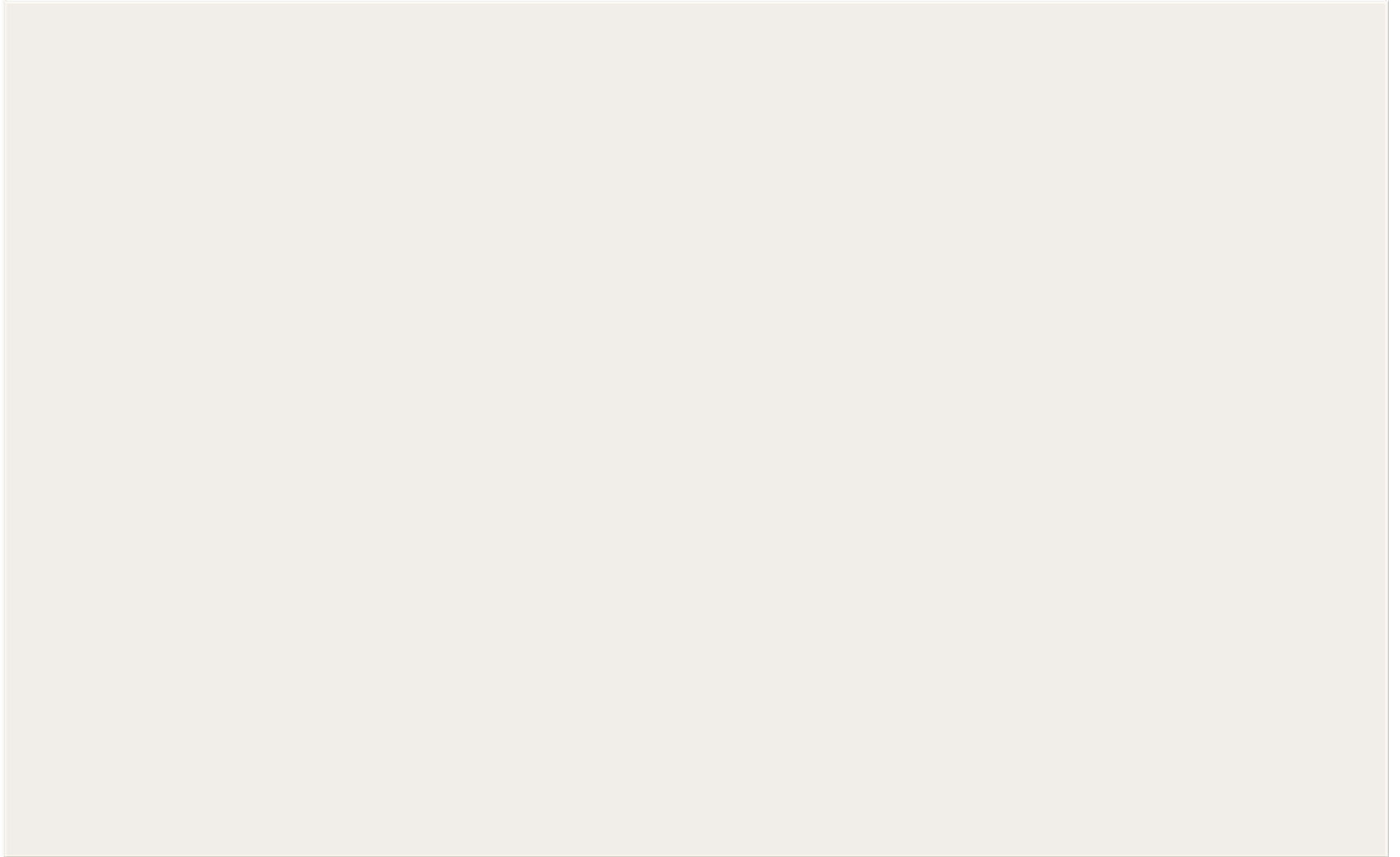
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What to Do? Get the Principles Right

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Driving Innovation

- Get the Economic Development Principles Right



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- Real competition is not other communities in Iowa, but other communities around the world.

■ 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.
- Focus on “gazelles,” not small business per se.
- Help firms and entrepreneurs learn.
- Real competition is not other communities in Iowa, but other communities around the world.
- Regions' competitive future rest on innovation and entrepreneurship.

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The Role of Innovation

■ Two Futures: Buffalo?



■ Or Boston?



■ Innovation Drives Regional Prosperity

- Differences in patenting intensity accounts for 30% of the variation across U.S. regions in the average wage. (Porter)
- Patenting and R&D support greater gains in regional per-worker earnings. (Goldstein)
- Average wages in U.S. high-tech clusters are \$63,970 versus \$43,180 in non-high tech trade clusters.

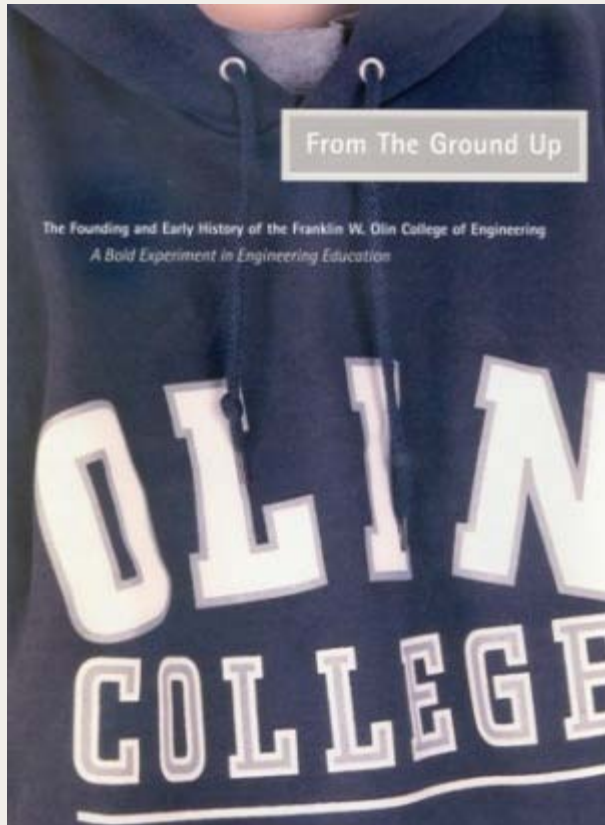
- But Innovation is More than High Tech Companies

To innovate is...
to challenge and change
the status quo to
enhance the customer's
experience and bring
new value to them.



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■ Its also About Institutional Innovation



■

It is not the strongest of the species that survive,
nor the most intelligent,
but the ones most responsive to change.
(Charles Darwin)



Thank You

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