AN END OF INNOVATION?

ENTREPRENEURSHIP AND THE DECLINE OF AMERICAN GROWTH
JEC REPUBLICANS | DECEMBER 2022
The Death of Distance
  - This Time is Different

Magnitude of the geographic localization of knowledge spillovers is lower (e.g., Kuhn et al., 2020; Bikard & Marx 2020).

In many places, there is simply not enough remaining in many places
  - to generate spillovers
  - or absorb spillovers
**LOSS OF A GEOGRAPHY OF INNOVATION**

- Little differentiation across places
  - Deindustrialization
  - The Distribution Warehouse replaces the Factory
  - Decline in Industrial R&D

- Loss of local economic autonomy
  - Decline in local ownership

- Erosion of political autonomy & authority
WHERE ARE THE WINDS OF CREATIVE DESTRUCTION?

• Tech revolutions are typically a time of opportunity
• Entrepreneurship is now constrained by a system that promotes Private Equity and the Silicon Valley Model
PRIVATE EQUITY MODEL

• The rise of shareholder value – Friedman 1972
• The Jack Welch effect – *The Man who Broke Capitalism* - Gelles (2022)
  • Increased financialization
• Backdrop of Neoliberalism
  • Limited regulation for antitrust or consumer protection

• PE started with restructuring industrial conglomerates
• Now extended to activities from *Cradle to Grave*
• Value-extraction rather than Value Creation
ANY TOWN, USA

• Increased homogenization of the landscape
• Loss of industry specialization
• Loss of local elites
• Rise of functional specialization

The sources of agglomeration economies & creativity have dissipated
Cities divided by income growth, 1995 - 2018

SOURCE: www.visualcapitalist.com/america-distressed-communities
the wealth inequality problem
WHAT’S A PLACE TO DO?
• **Rise of Preemption**
  - a legal concept where a higher level of government has the authority to limit, or even eliminate, the power of a lower level of government to regulate a certain issue.

• **American Legislative Exchange Council (ALEC)**
  - Dedicated to the principles of limited government, free markets and federalism
  - Diffusion of conservative ideas
  - Corporate interests outsized influence

• **American City County Exchange (ACCE)**
TO INCREASE INNOVATION, FIX THE SYSTEM, NOT THE PLACE
THANK YOU

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