

AN END OF INNOVATION?

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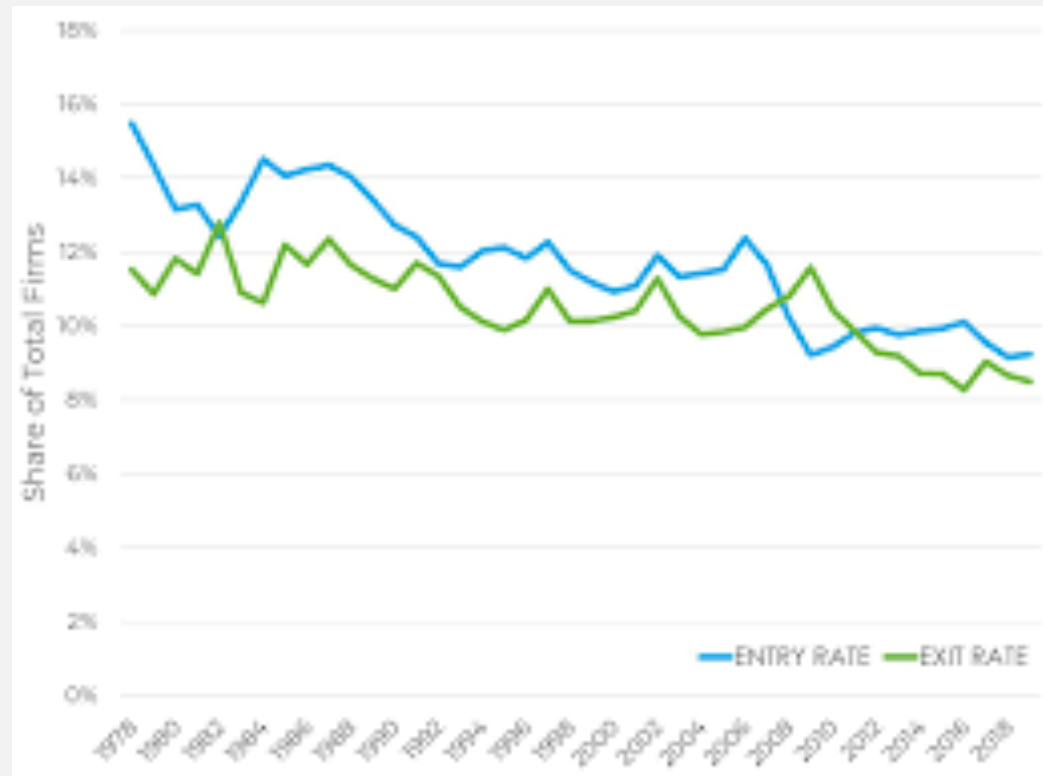
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Boston - AOM

ENTREPRENEURSHIP AND THE DECLINE OF AMERICAN GROWTH

JEC REPUBLICANS | DECEMBER 2022





THE
DEMISE OF
THE
LOCAL

- 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

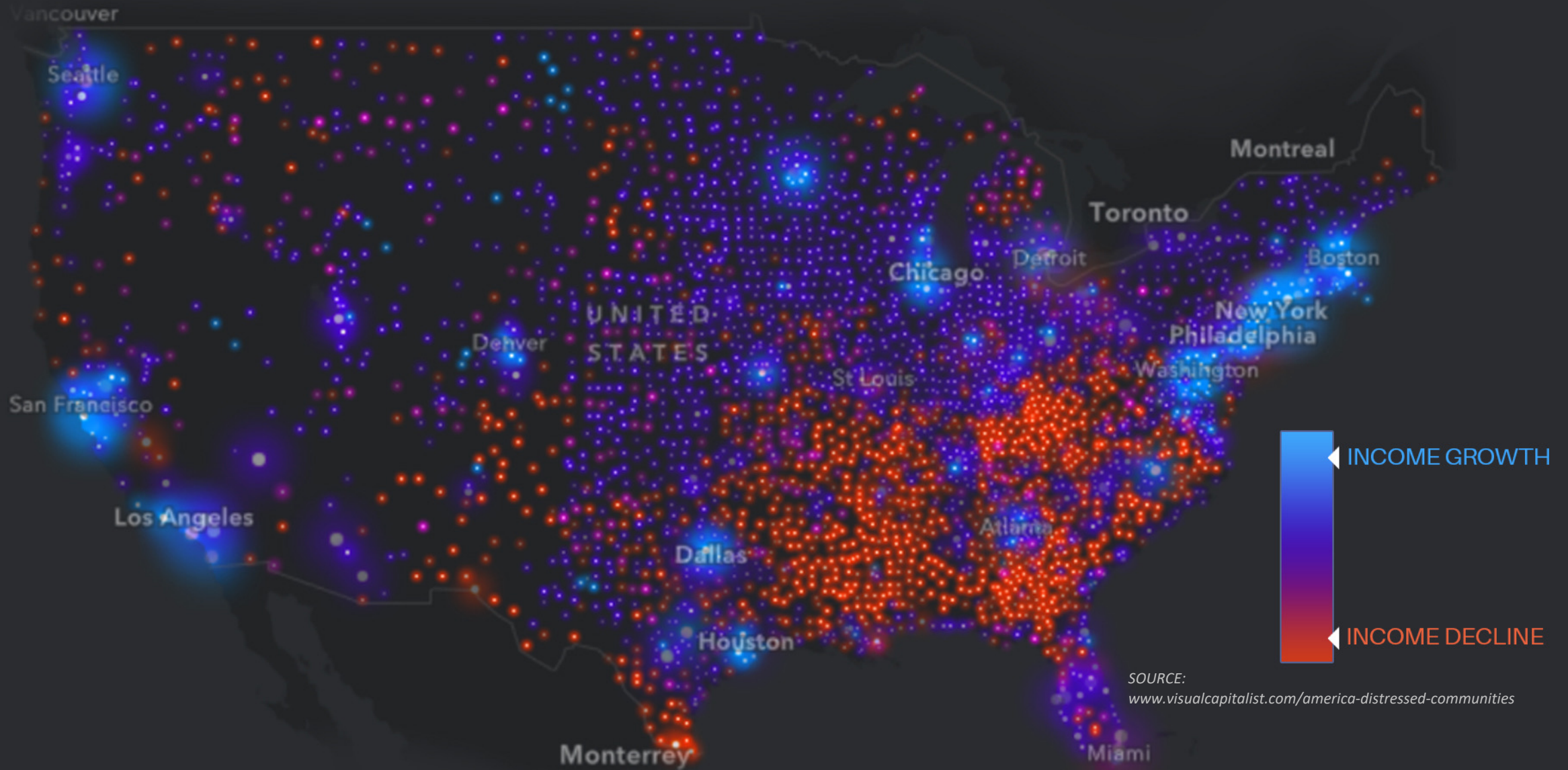


ANY TOWN,
USA

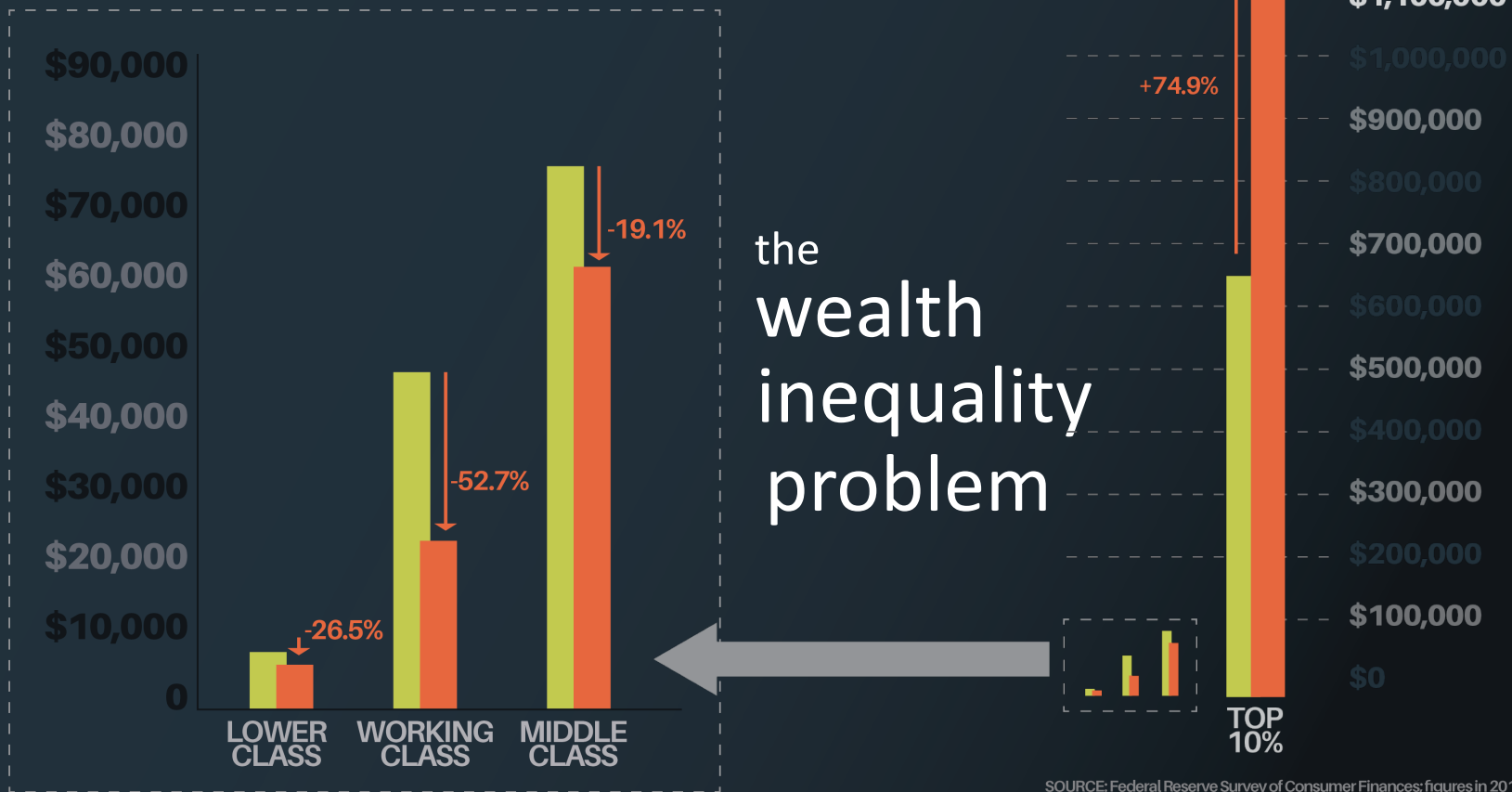
- Increased homogenization of the landscape
- Loss of industry specialization
- Loss of local elites
- Rise of functional specialization

The sources of agglomeration economies & creativity have dissipated

Cities divided by income growth, 1995 - 2018



MEDIAN NET WORTH 1998 2013



the
wealth
inequality
problem

SOURCE: Federal Reserve Survey of Consumer Finances; figures in 2013 dollars
* Bottom 20% of incomes; **second lowest 20% of incomes; ***middle 20% of incomes

WHAT'S A PLACE TO DO?

THE POLITICS OF LOCAL AUTONOMY

- **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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