

The New Economy in Indianapolis

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Progressive Policy Institute

www.ppionline.org

The New Economy in Indianapolis



The Progressive Policy Institute

- Founded in 1989 by the Democratic Leadership Council
- 501 (c) (3)
- Mission is to define and promote a 'Third Way' progressive politics for the Information Age
- An alternative to the liberal impulse to defend the bureaucratic status quo and the conservative bid to dismantle government



The New Economy in Indianapolis

- **A New Economy Has Emerged**
- **There's No Going Back**
- **It Will Affect All Regions And Communities**
- **It Will Change The Nature And Practice Of Economic Development**

The New Economy is a knowledge and idea-based economy where the keys to wealth and job creation are the extent to which ideas, innovation, and technology are imbedded in all sectors of the economy.

The question to ask is not “do we have ‘New Economy’ industries,” but rather, “are our industries New Economy?”

Economist Joseph Schumpeter Described His Era's (1940's) New Economy

< *“These [economic] revolutions periodically reshape the existing structure of industry by introducing new methods of production -- the mechanized factory, the electrified factory, chemical synthesis, and the like; new commodities, such as railroad service, motorcars, electrical appliances; new forms of organization -- the merger movement; new sources of supply -La Plata wool, American cotton, Katanga copper; new trade routes and markets to sell in and so on.”*

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Today's New Economy Transformation is Just as Profound

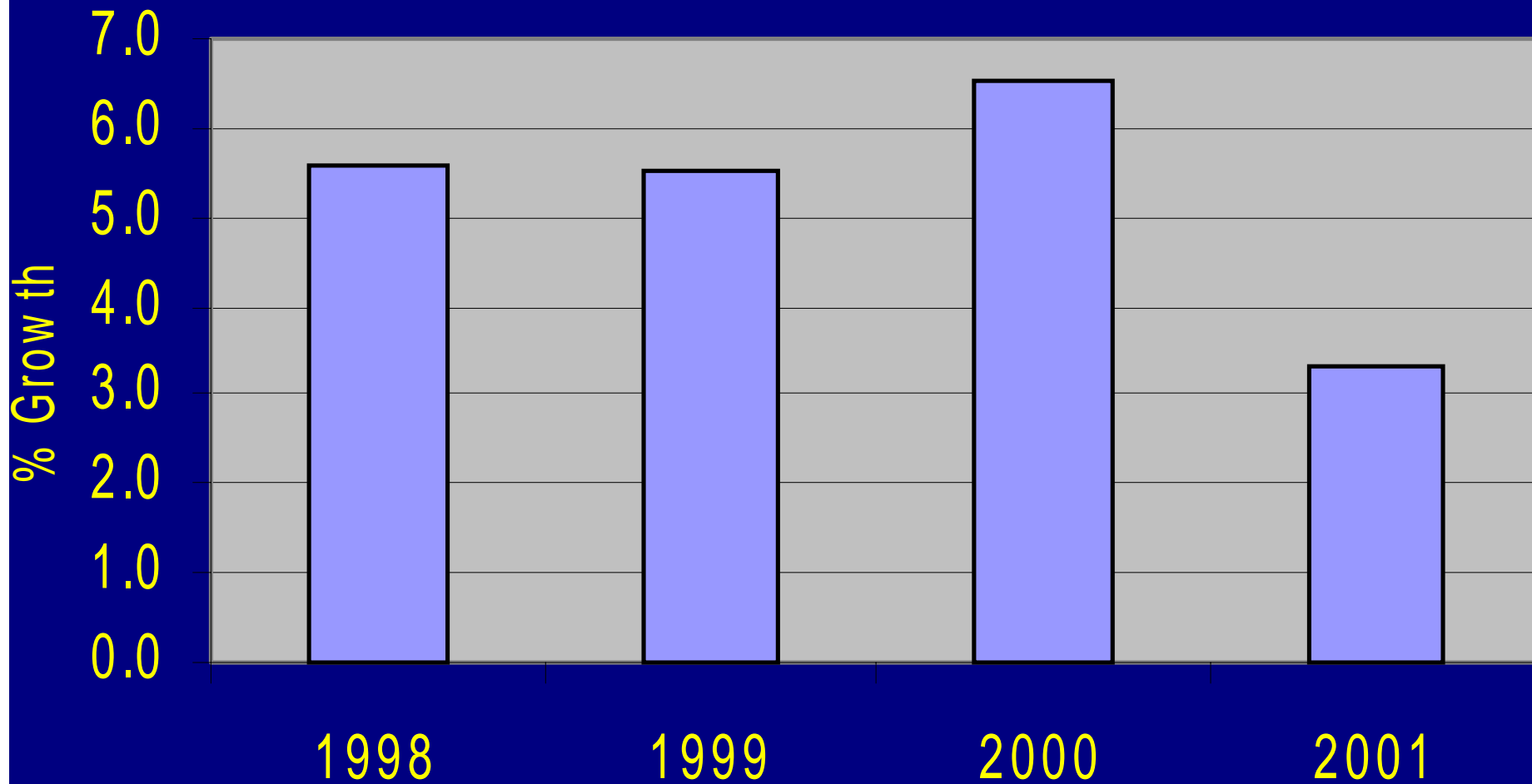
< *These revolutions periodically reshape the existing structure of industry by introducing new methods of production -- the networked office, computer-aided manufacturing, biotechnology production and the like; new commodities, such as the Internet, cellular telecommunications, the PC; new forms of organization -- the venture capital movement; the rise of "high-performance work organizations"; the growth in business alliances and partnerships; and new sources of supply - high-skilled H1-B immigrants, solar power; new trade routes and markets to sell in (Nafta, Asia) and so on.*

The Reports of the Demise of the New Economy are Premature

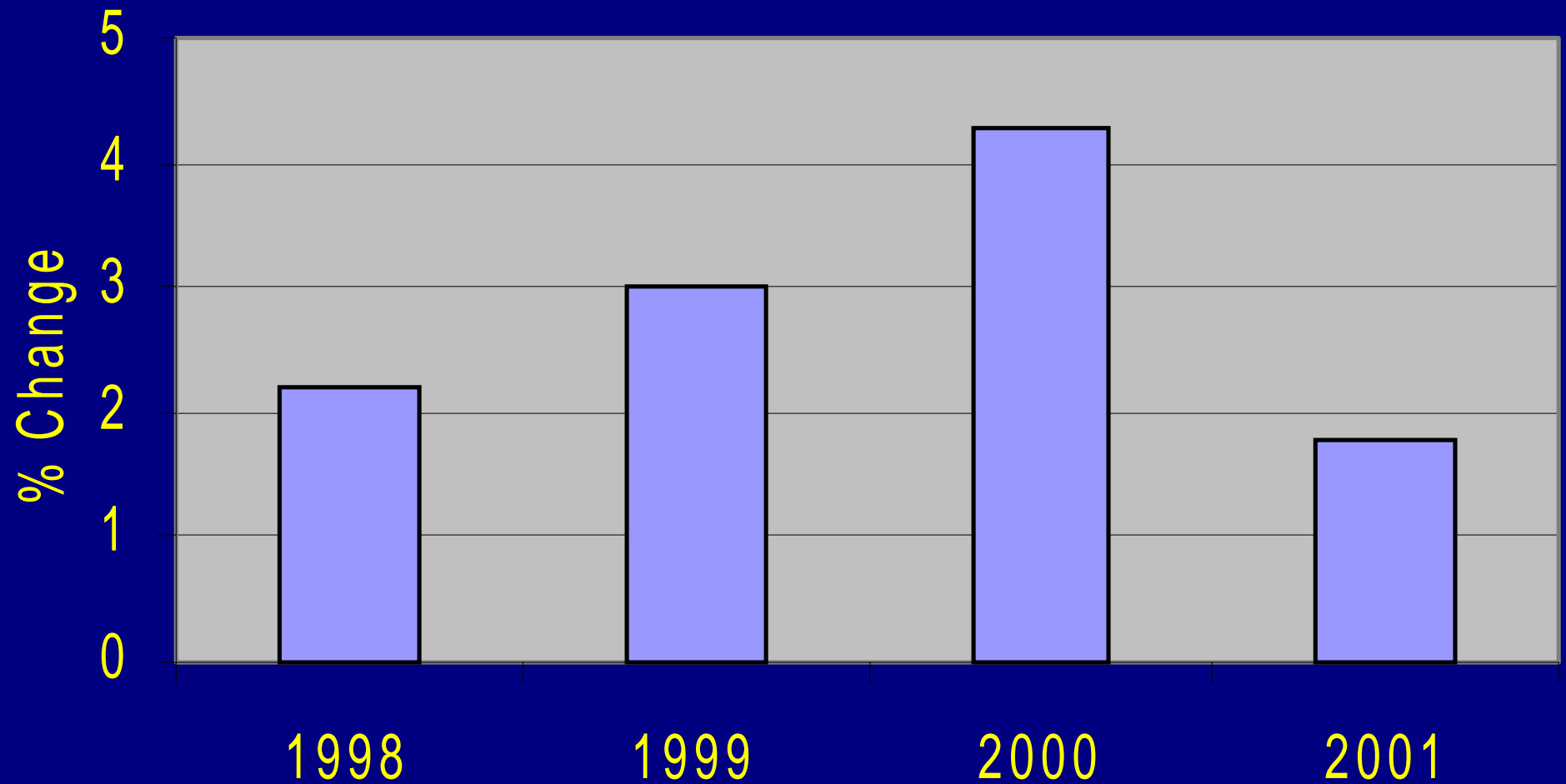
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GDP Growth: What Recession?

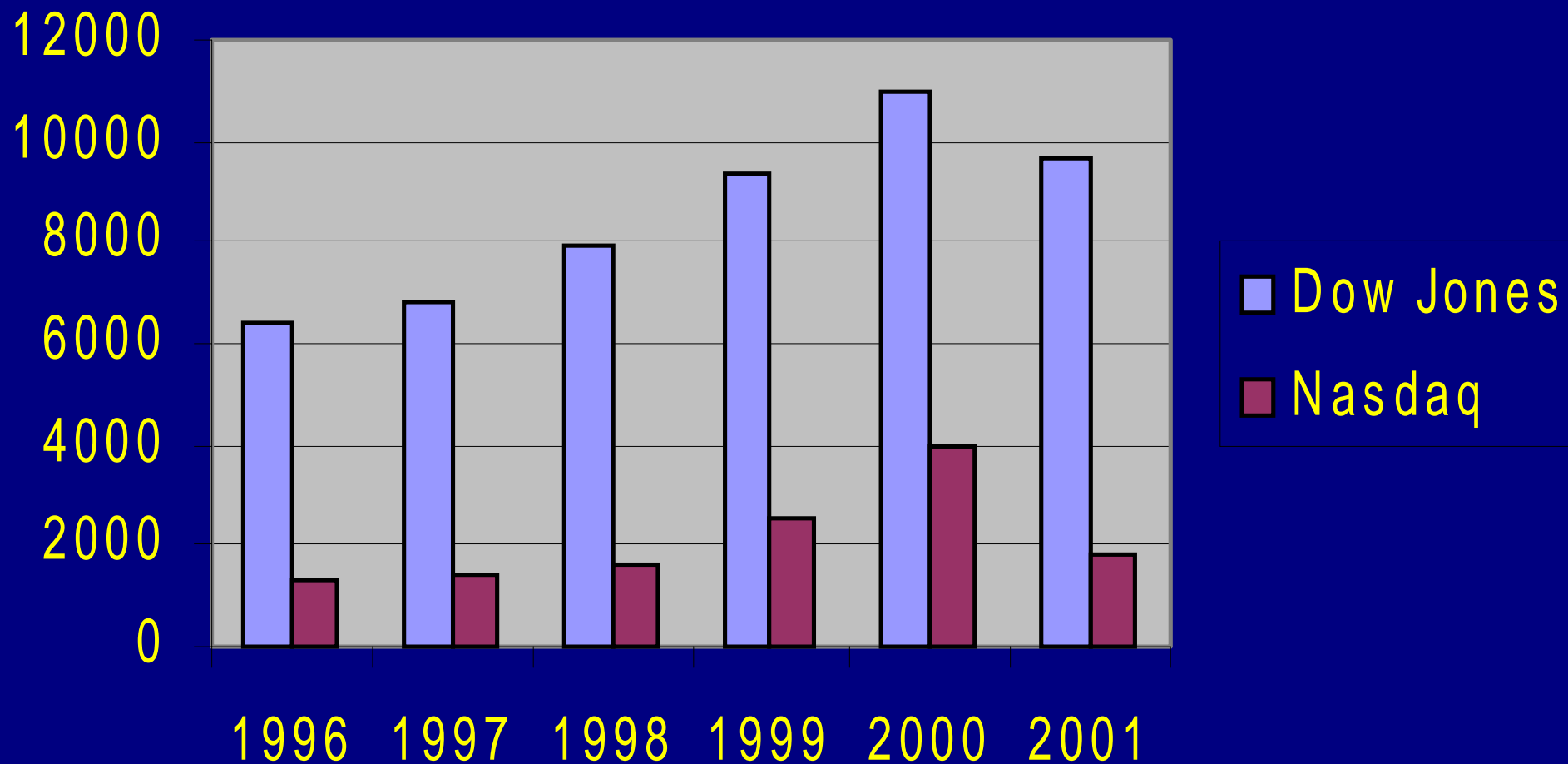


Productivity Growth



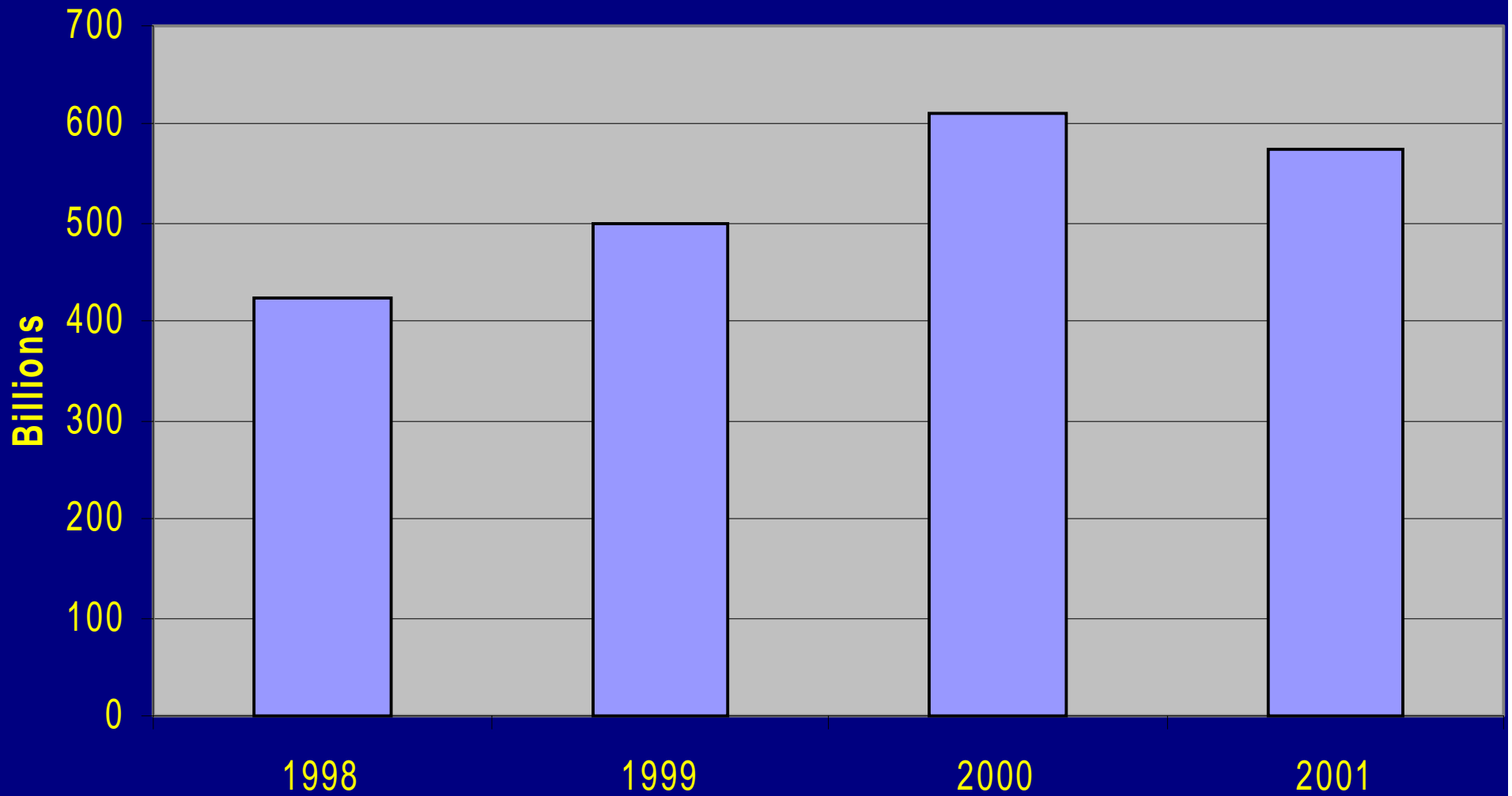
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The Stock Market



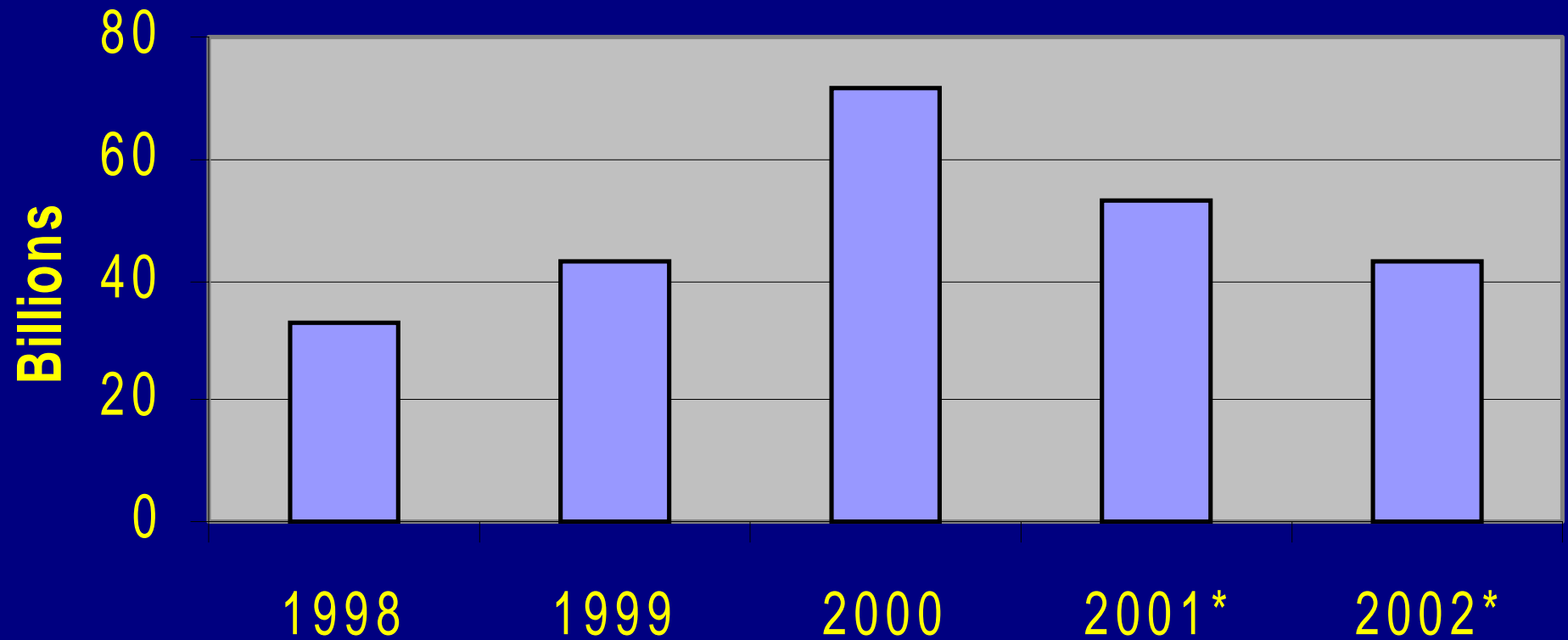
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IT Expenditures



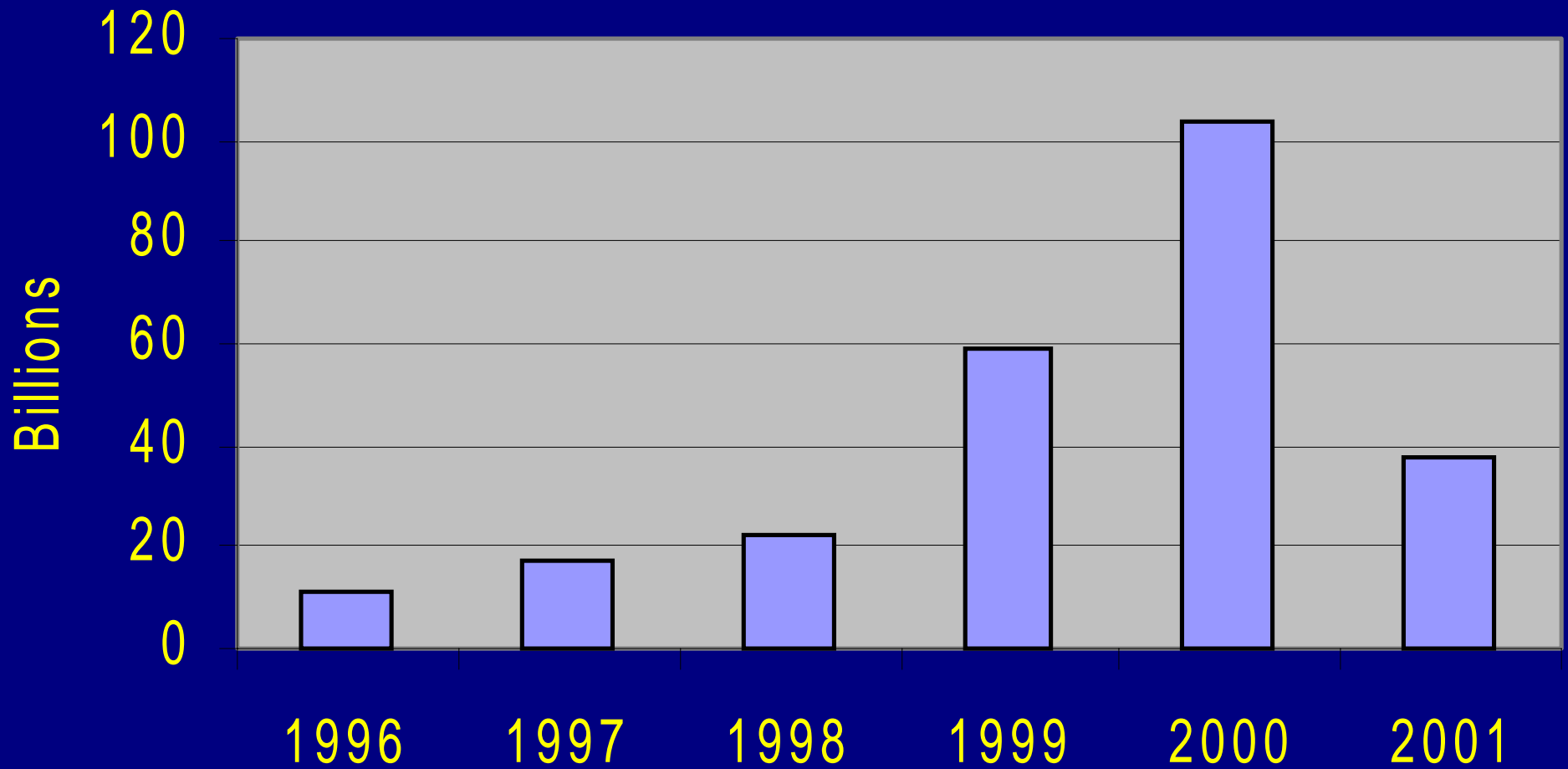
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Telecom Investment



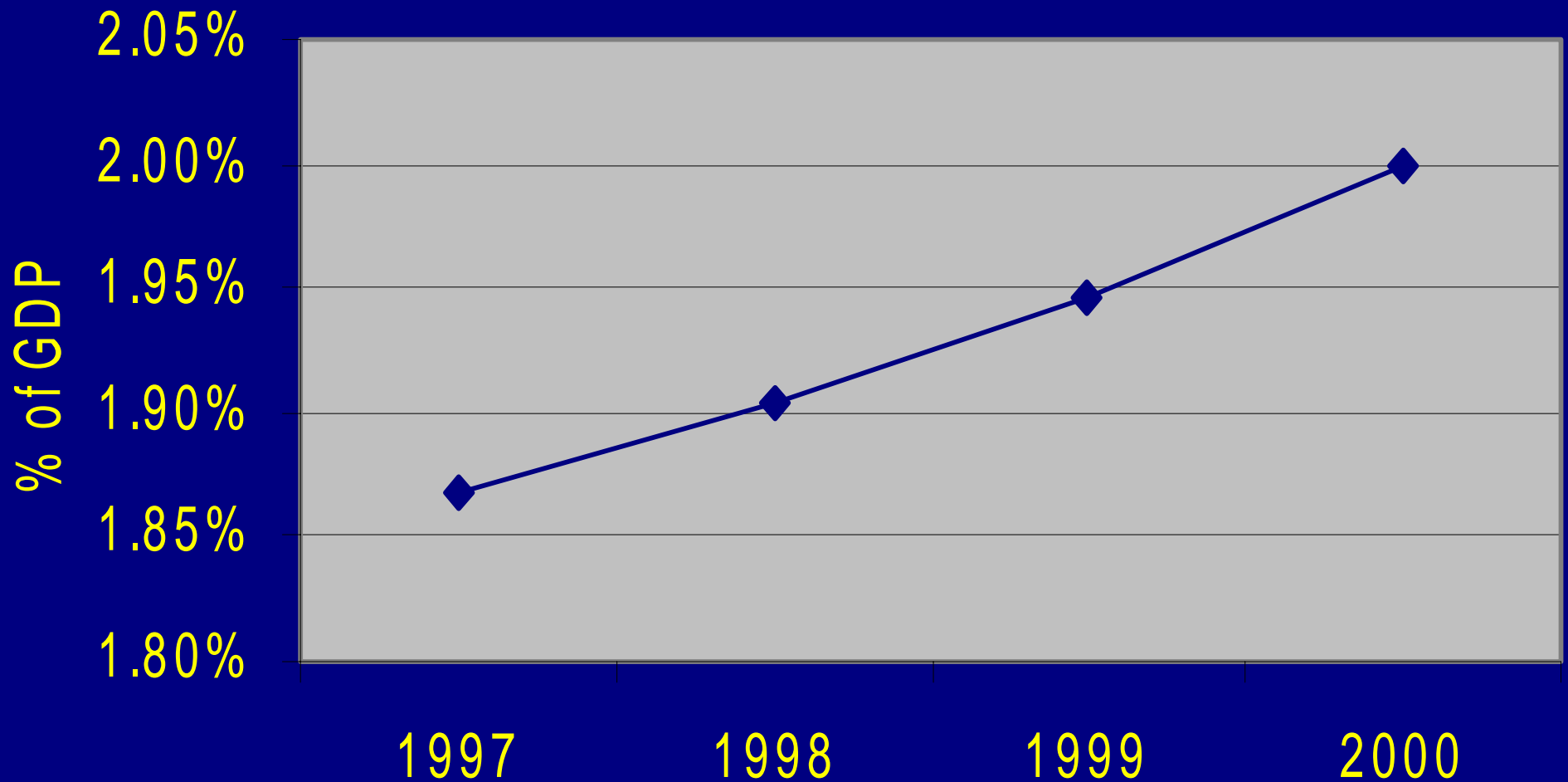
* Projections

Venture Capital Still Higher than in 90's



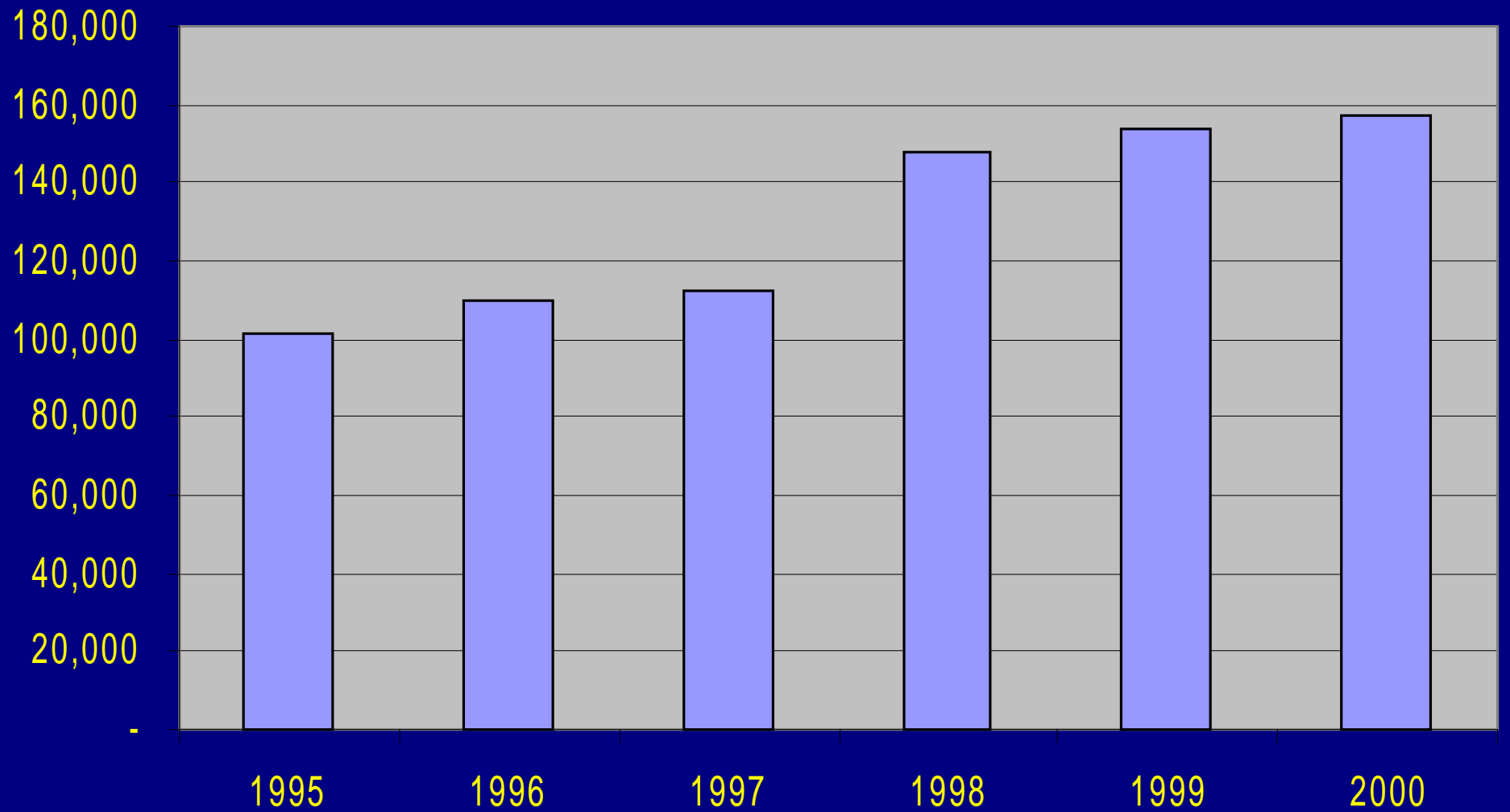
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Industry R&D Expenditures



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Patents Issued



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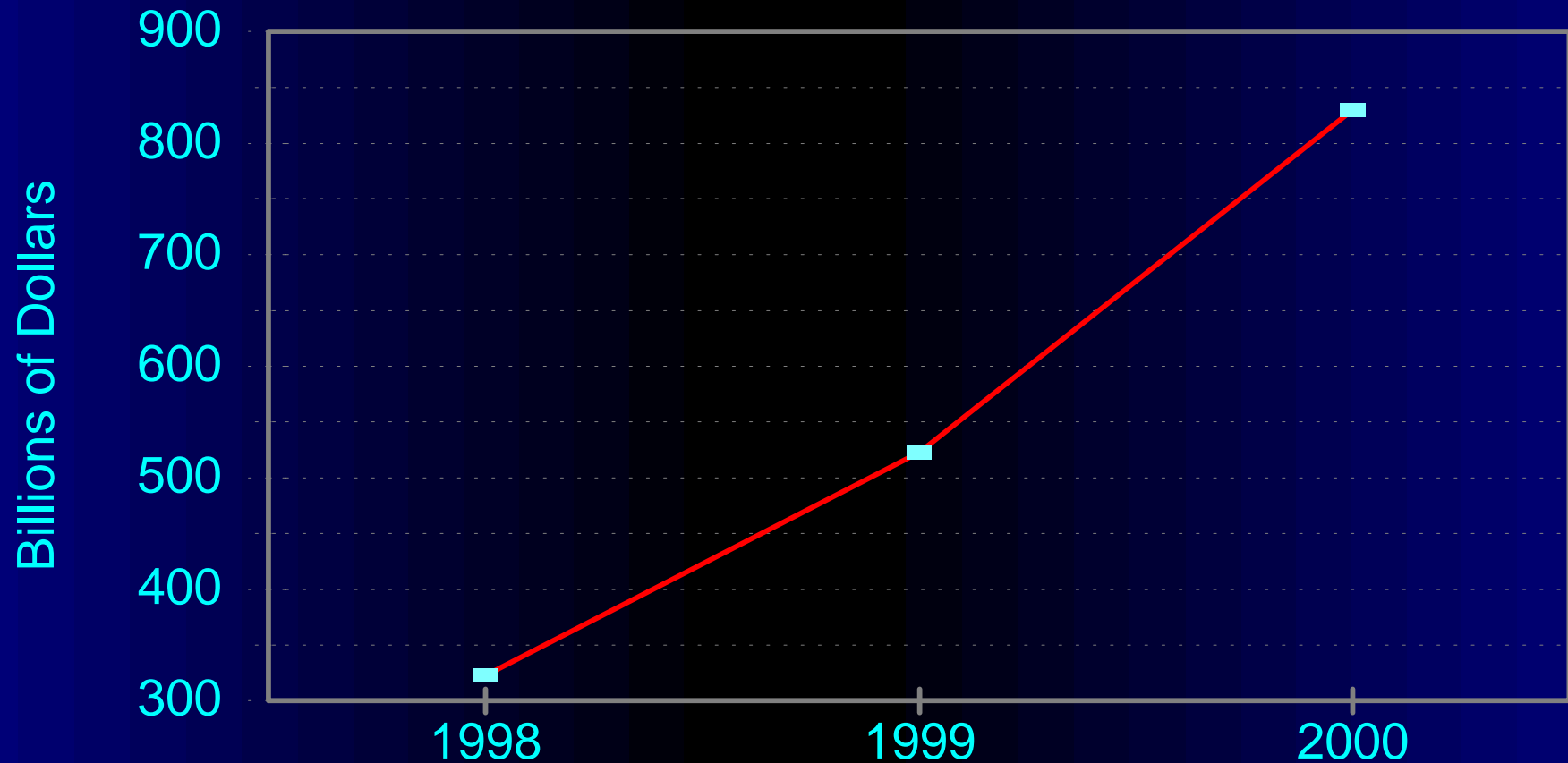
The Digital Economy is Alive and Well

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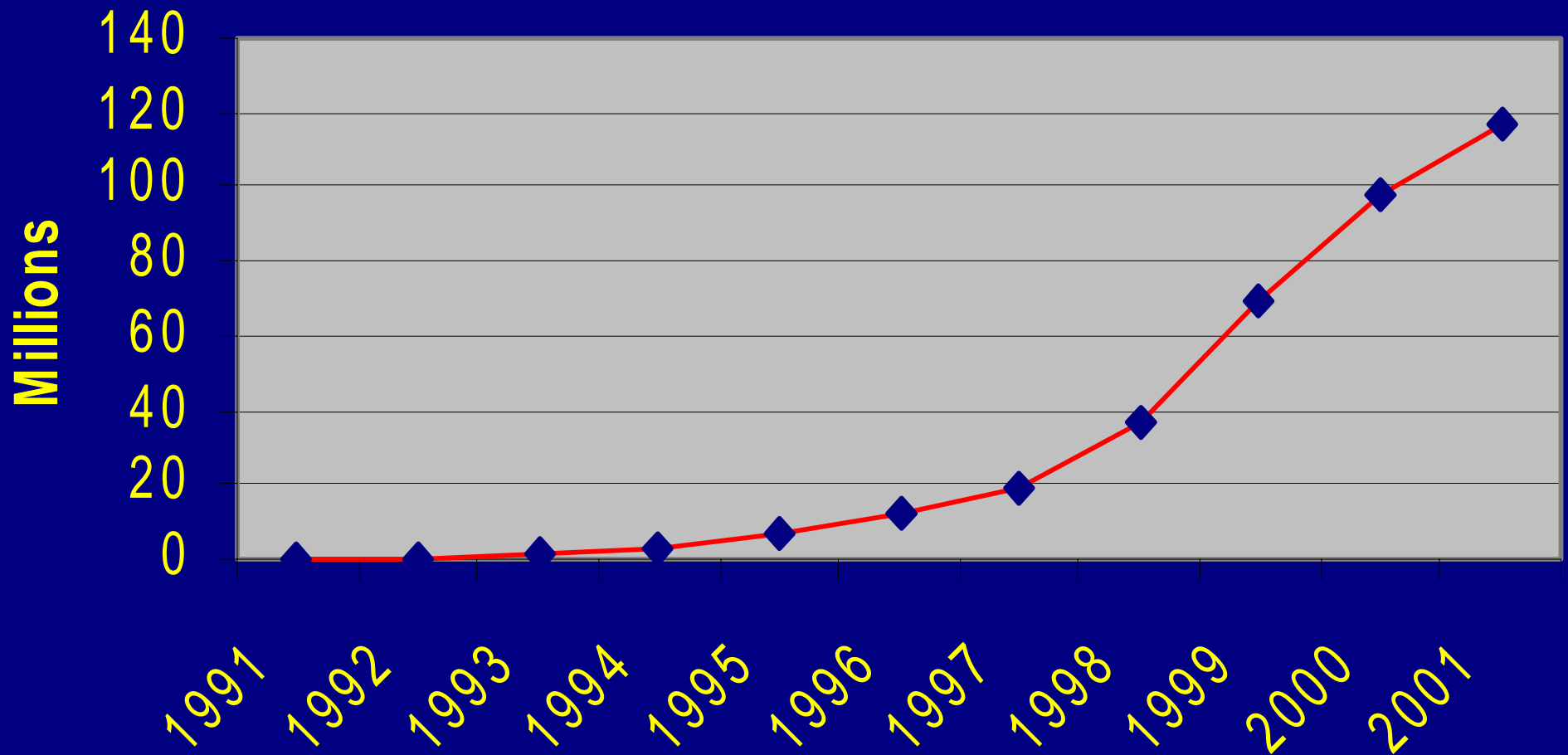
Rapid E-Commerce Growth

U.S. Internet Economy



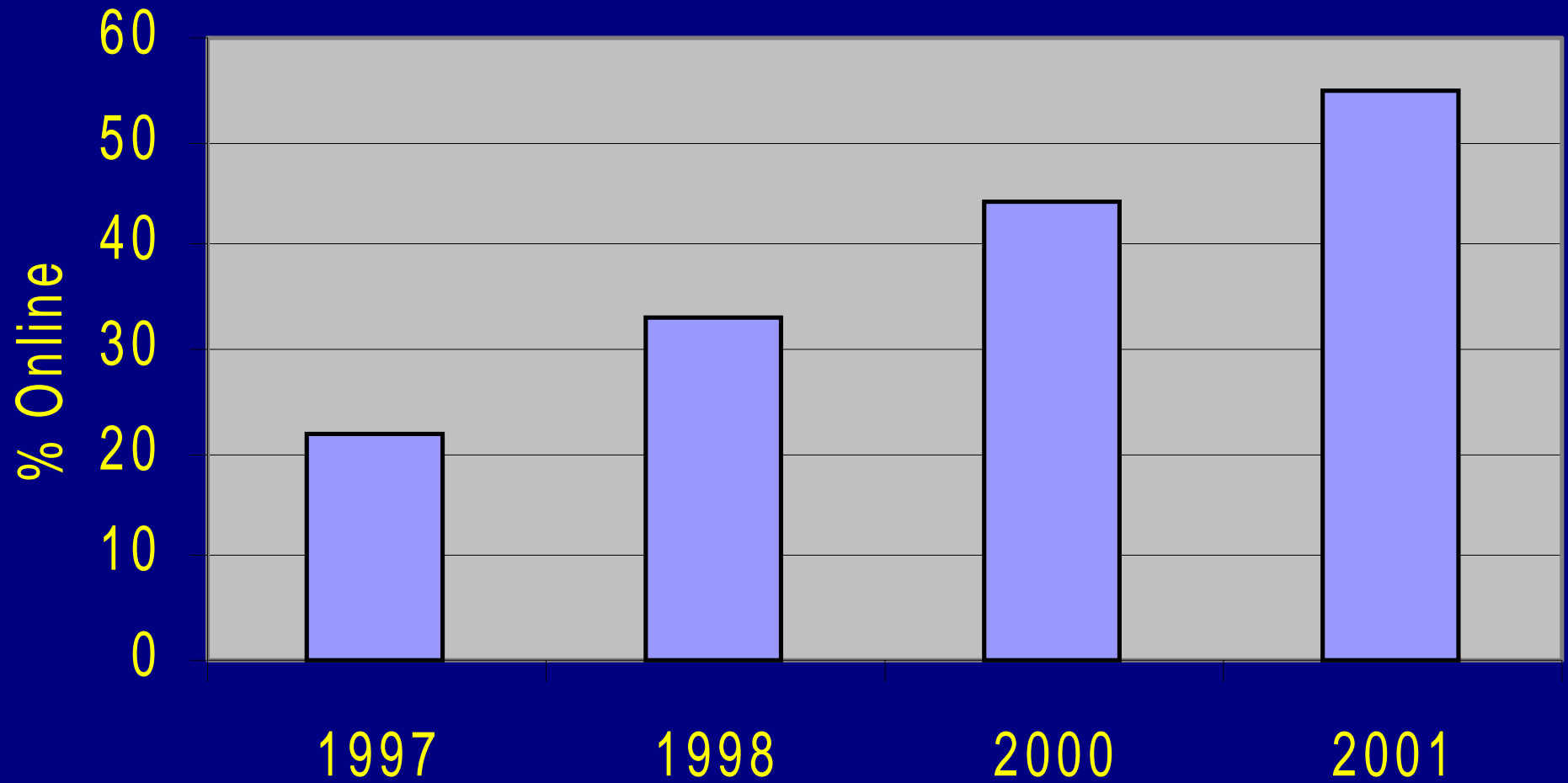
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Mushrooming Internet Hosts



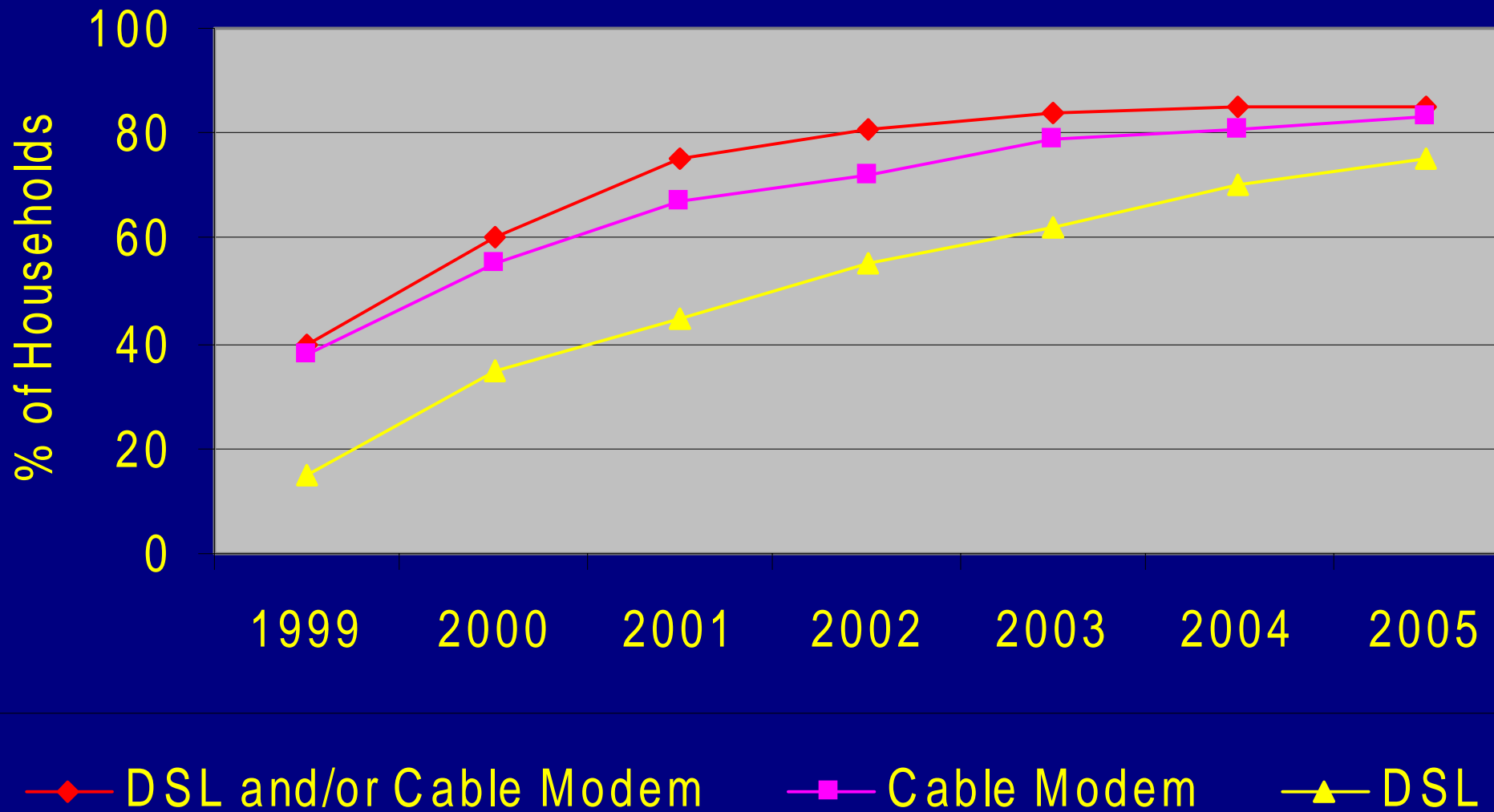
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More People Online

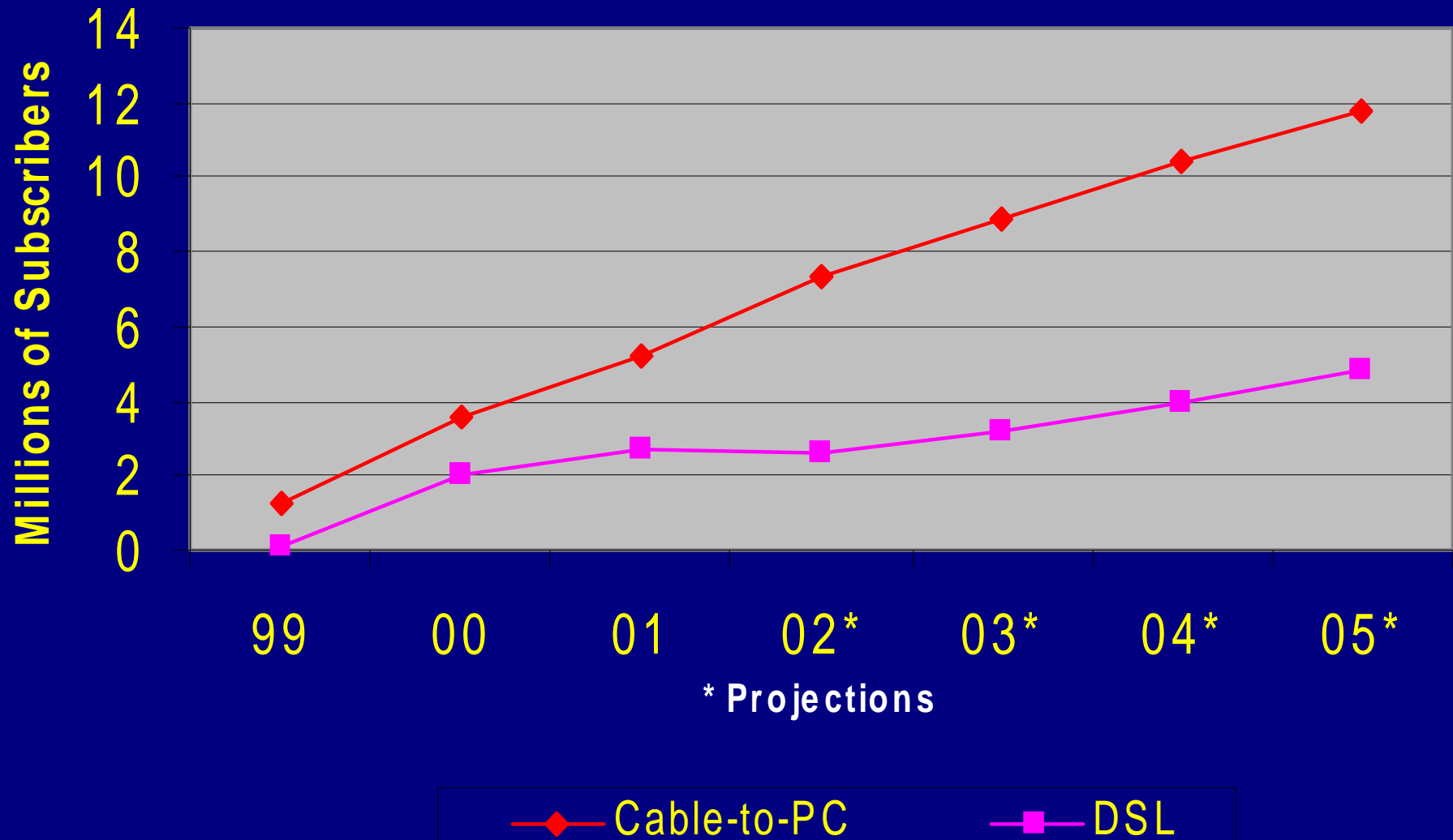


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More People Can Get Broadband

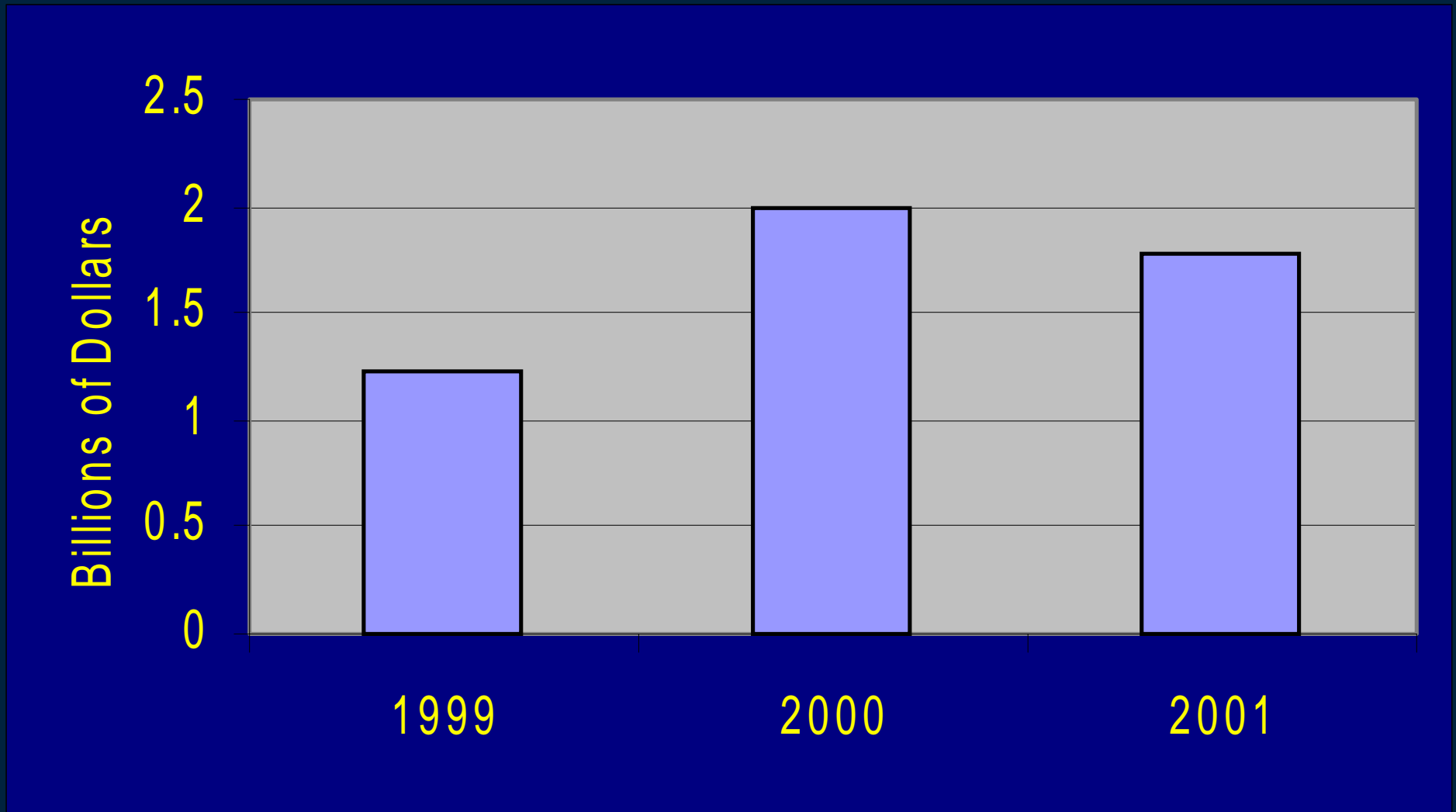


More People Have Broadband



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Banner Ad Sales



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How Are Indiana and Indianapolis Doing in the New Economy?

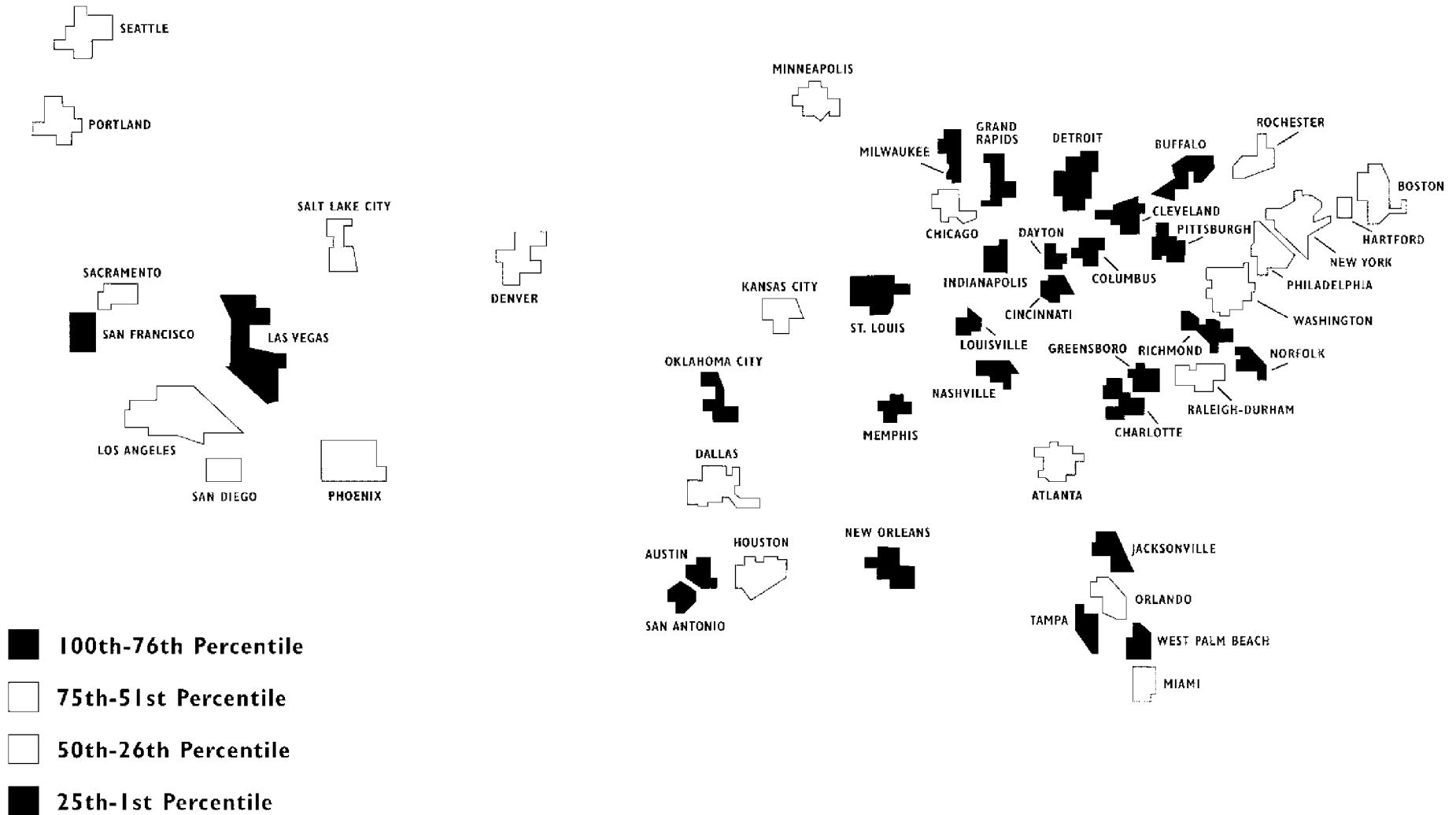
Metropolitan and State New Economy Indexes used 5 groups of indicators to measure how well places are adapting to the New Economy:

- < **Knowledge Jobs**
- < **Globalization**
- < **Economic Dynamism**
- < **Digital Economy**
- < **Technological Innovation**

Overall New Economy Scores

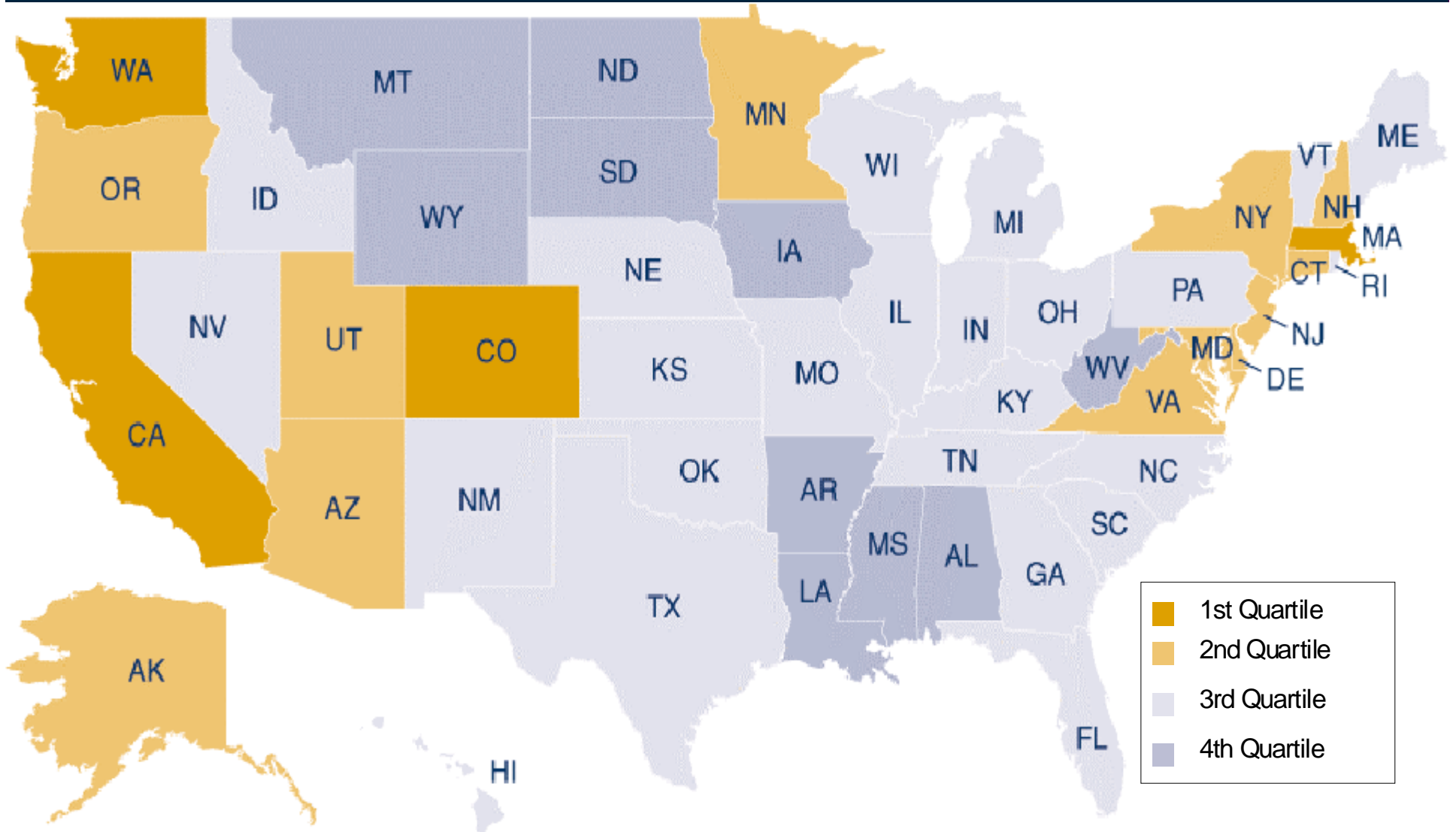
	Rank
Indianapolis	29
Indiana	40

Overall Metropolitan New Economy Scores (2001)



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Overall State New Economy Scores (1999)

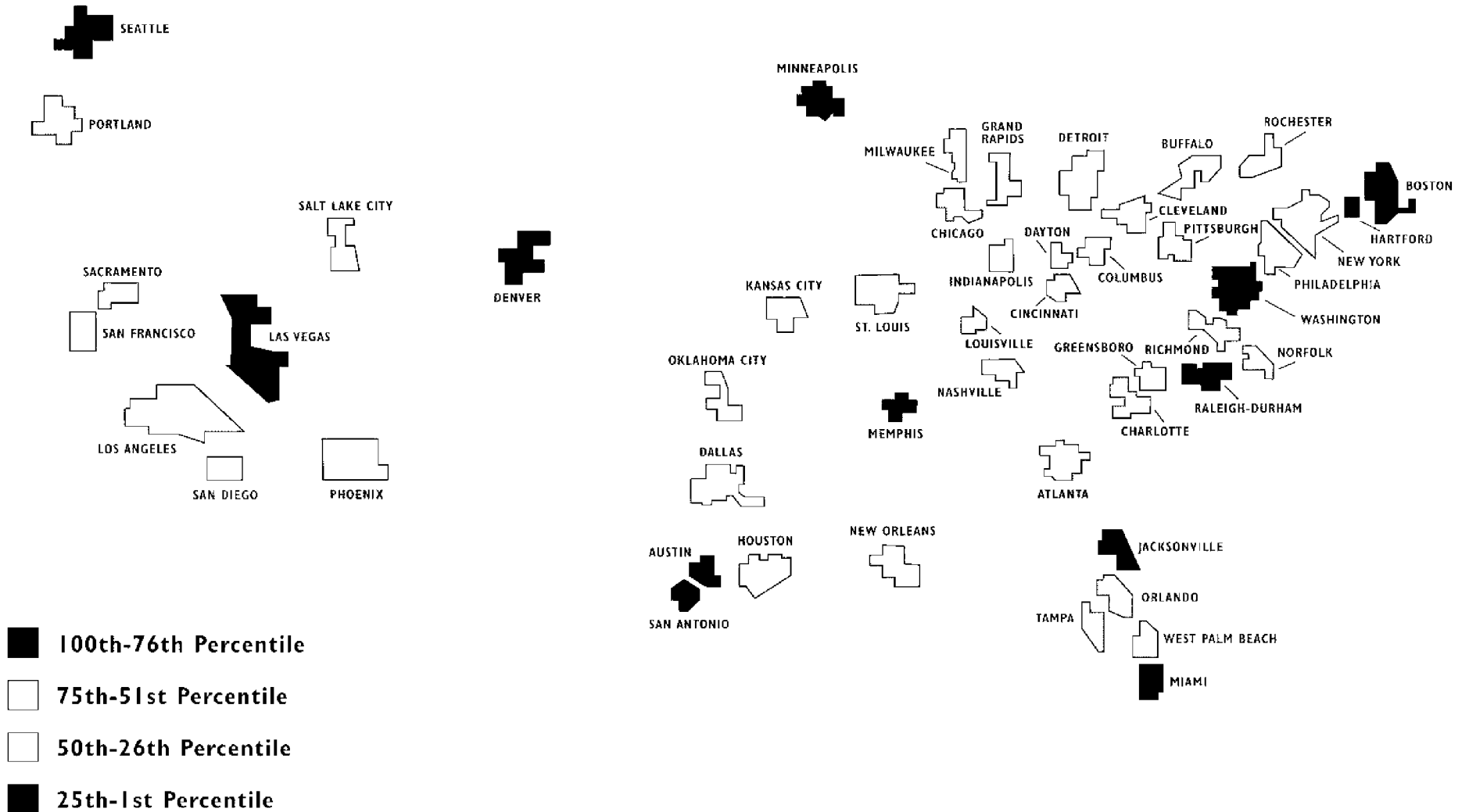


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Managerial, Professional, and Technical Jobs

	Score	Rank
Indianapolis	39%	15
Indiana	22.1%	47

Managerial, Professional & Technical Jobs

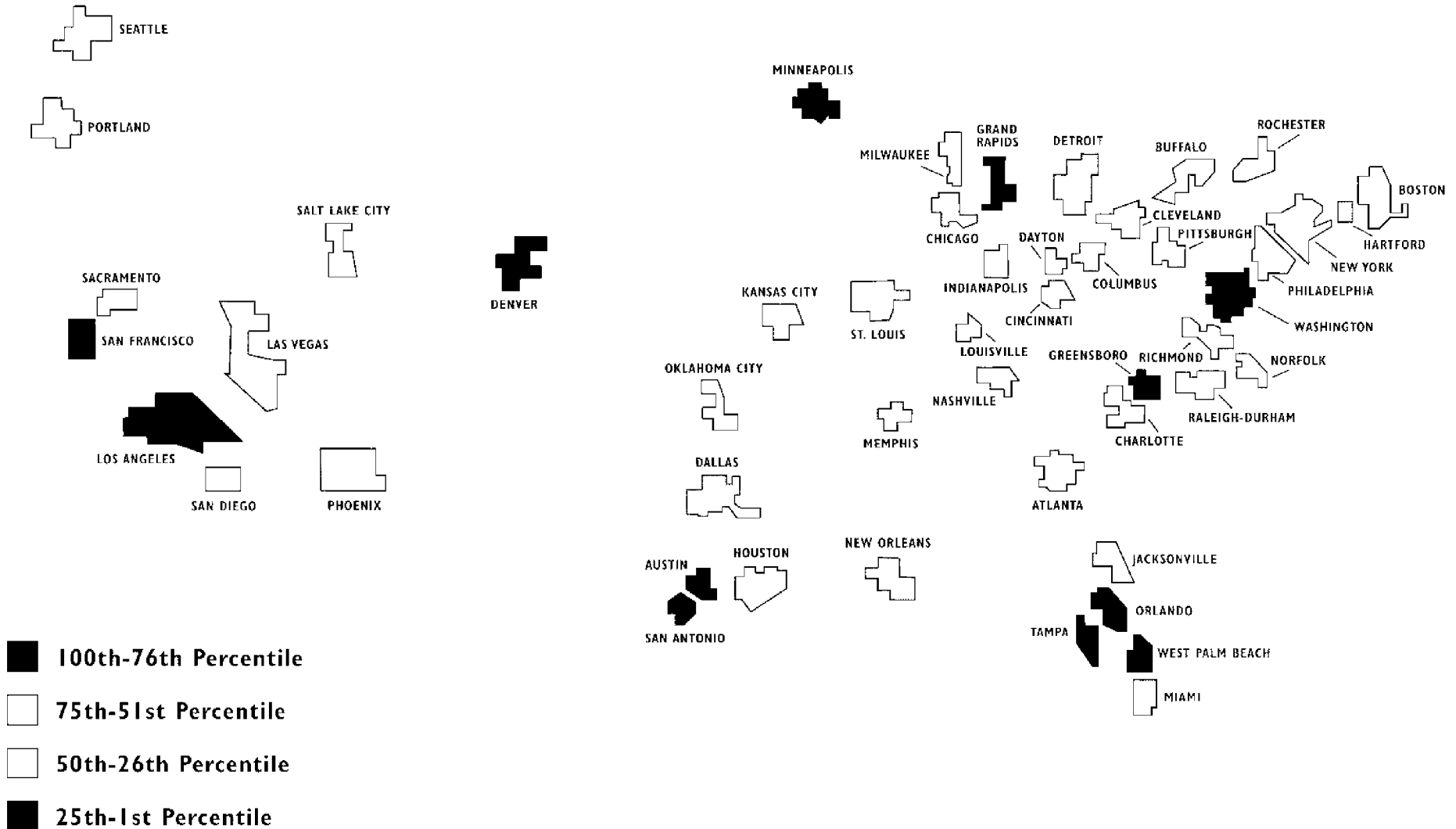


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Workforce Education

	Rank
Indianapolis	33
Indiana	33

Workforce Education

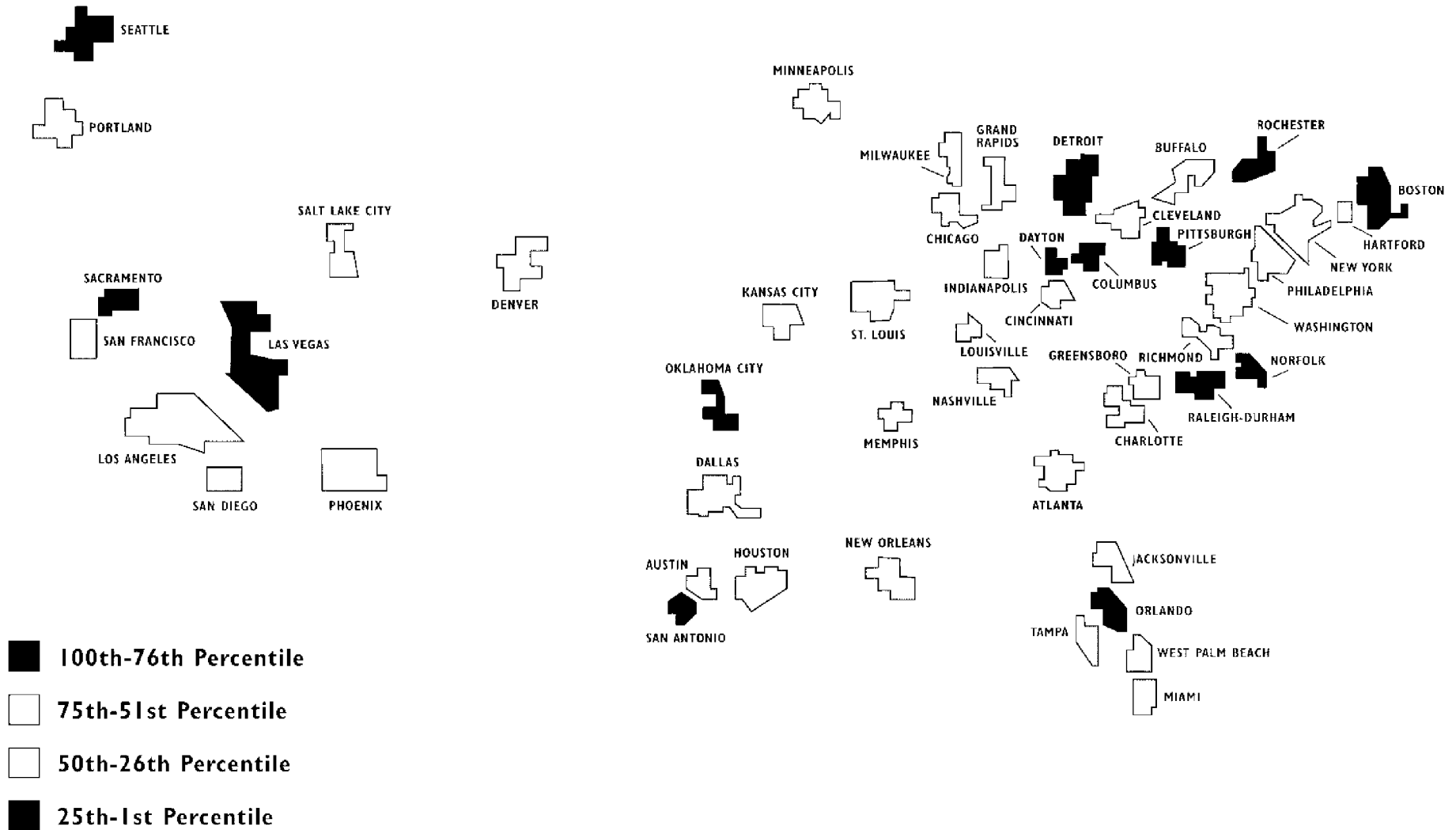


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"Gazelle" Jobs

	Rank
Indianapolis	38
Indiana	37

"Gazelle" Jobs



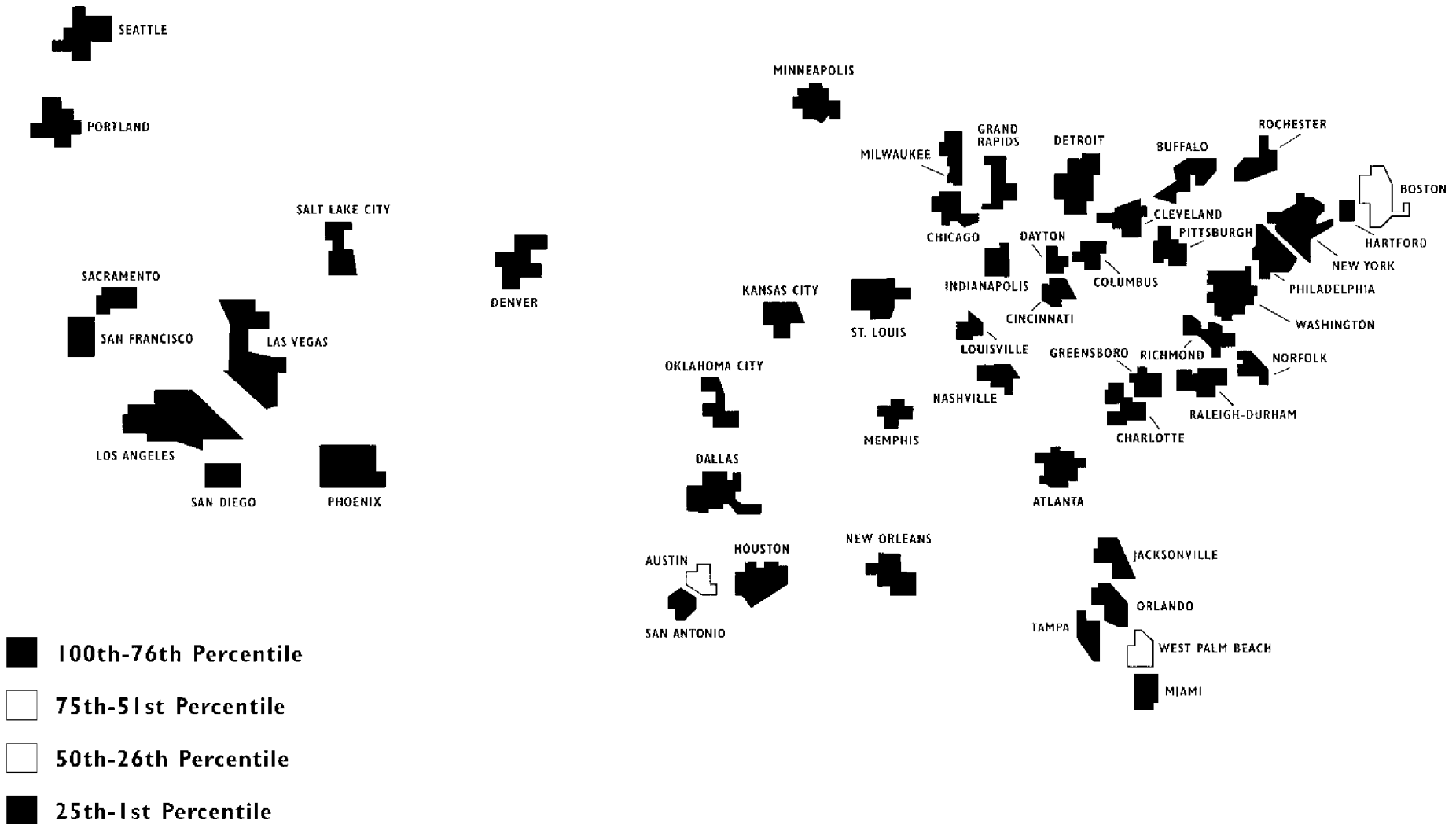
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New Publicly Traded Companies

	Rank
Indianapolis	35
Indiana	38

New Publicly Traded Companies



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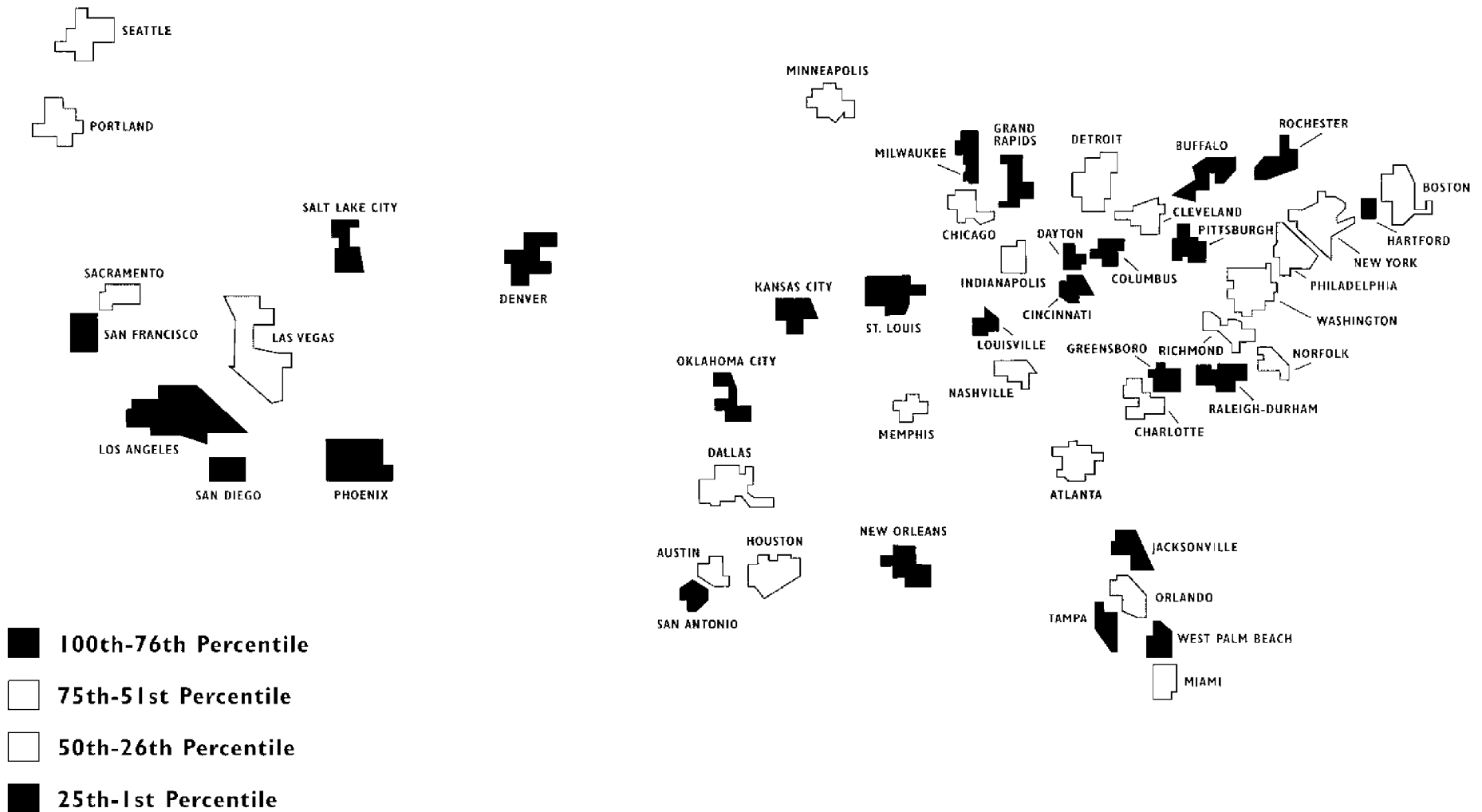
Online Population

	Score	Rank
Indianapolis	42%	23
Indiana	56%	27

Broadband Telecommunications

		Rank
Indianapolis Providers Per Zip Code	2.76	28
Indiana Composite Score		40

Broadband Telecommunications

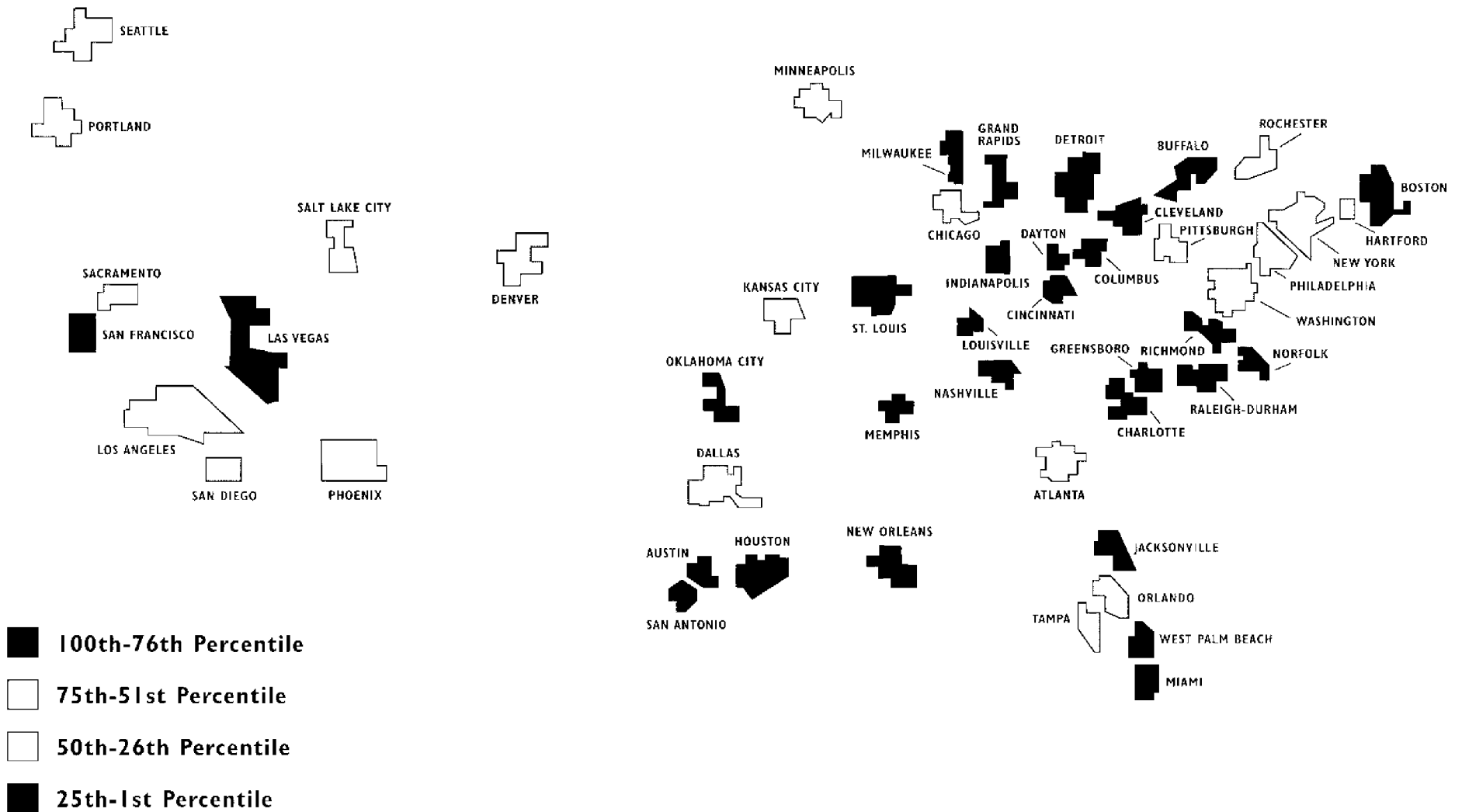


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High-Tech Jobs

	Score	Rank
Indianapolis	2.7%	30
Indiana	3.4%	33

High-Tech Jobs



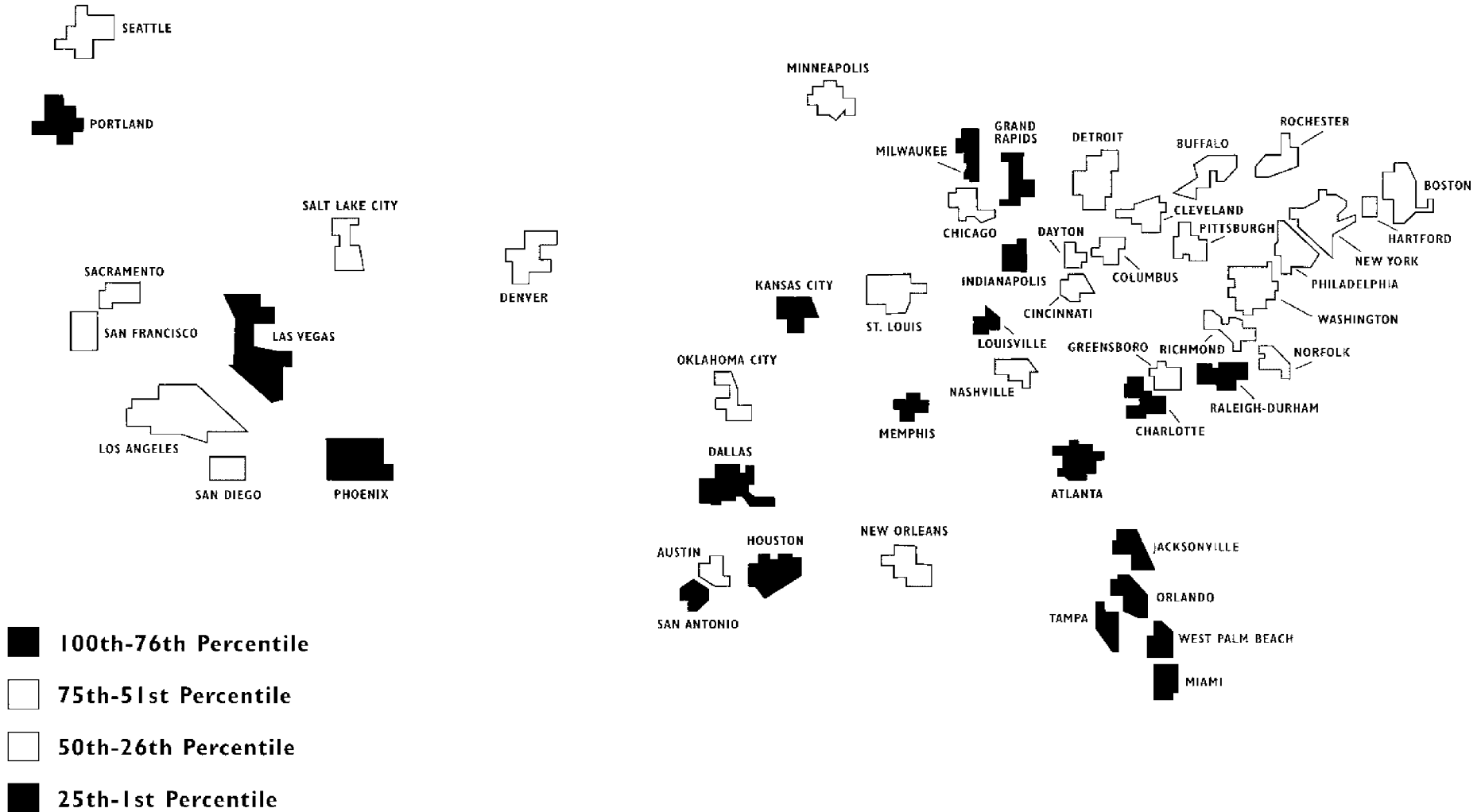
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Scientists and Engineers

	Rank
Indianapolis	37
Indiana	38

Scientists and Engineers

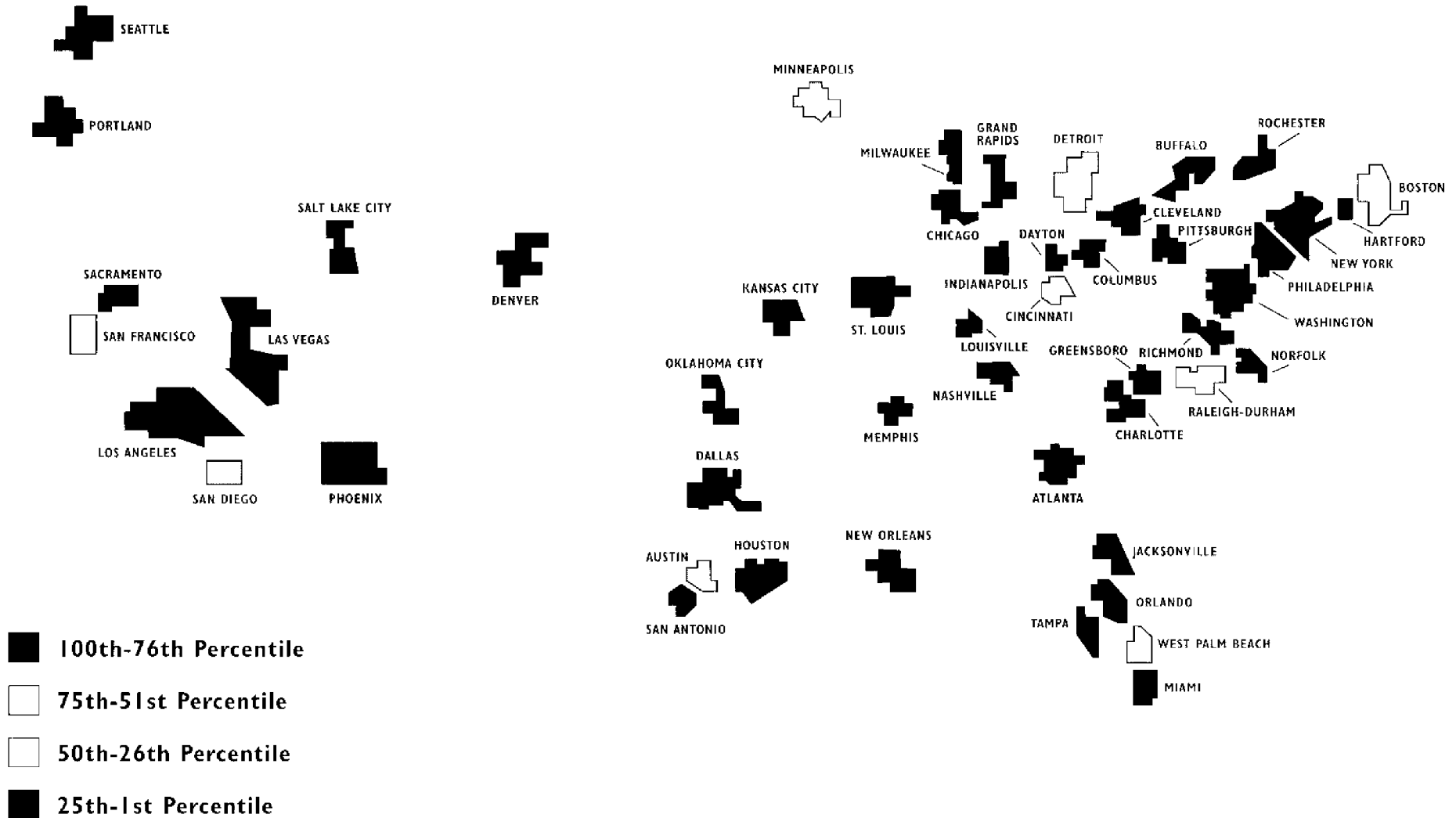


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Patents

	Rank
Indianapolis	15
Indiana	39

Patents

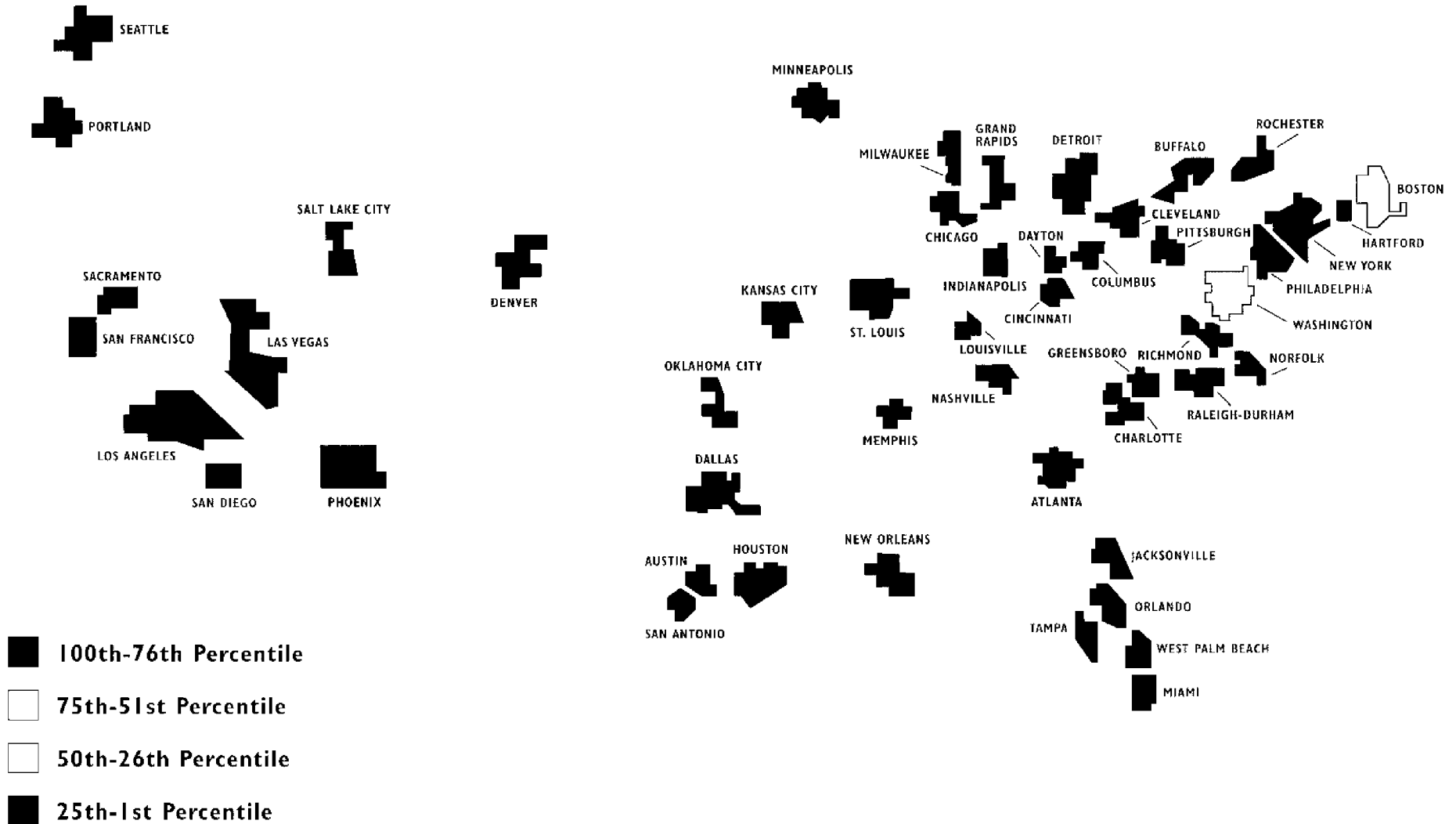


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R&D Funding

	Rank
Indianapolis	49
Indiana	34

Academic Research and Development Funding

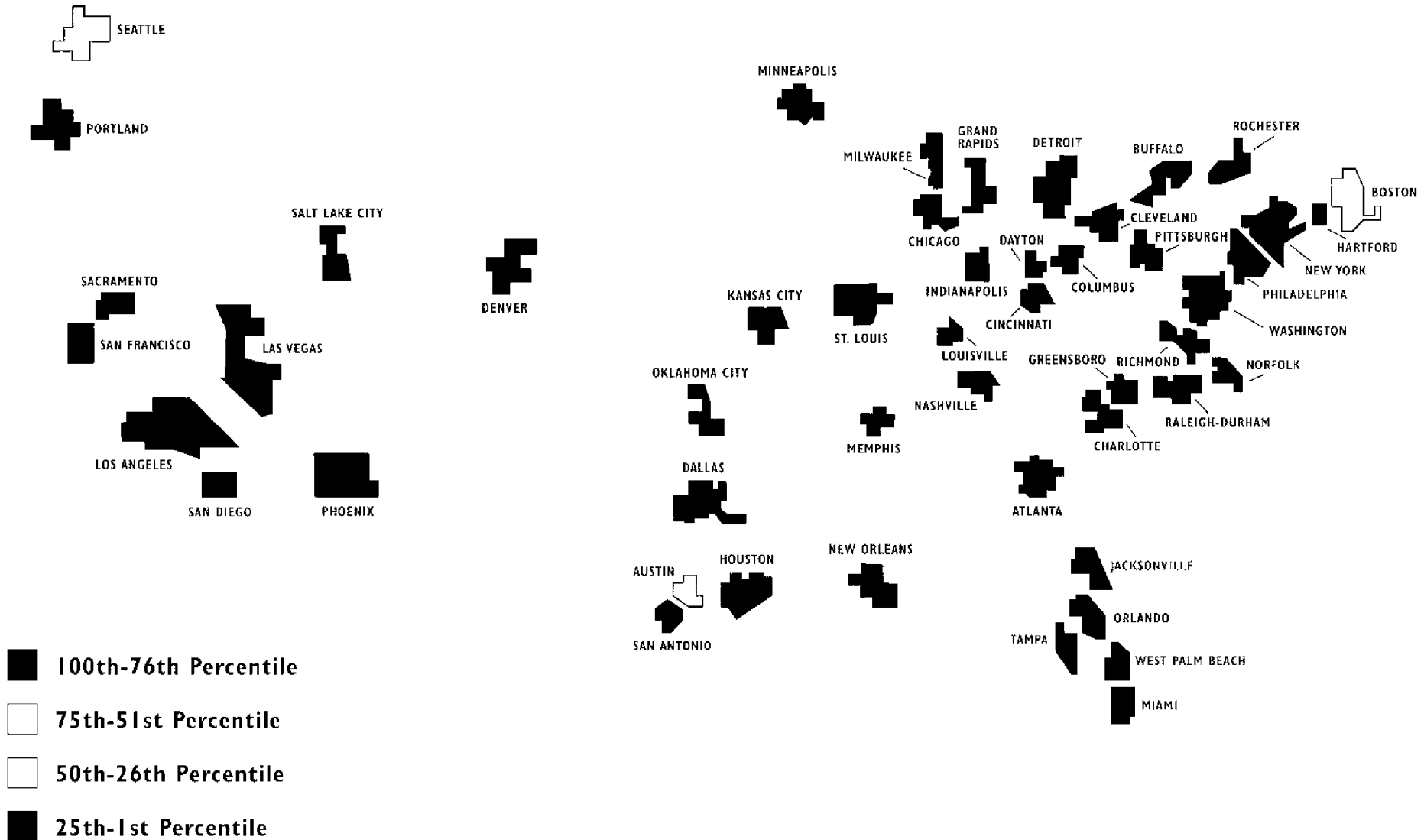


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Venture Capital

	Rank
Indianapolis	48
Indiana	36

Venture Capital



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A New Economy Requires a New Economic Policy

**OLD ECONOMY
MODEL**

**NEW ECONOMY
MODEL**

Get Big



Get Prosperous

Get Cheap



Get Better

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The Old Economy Model: Getting Big

< **Getting big meant trying to get more jobs and companies even if:**

- **the jobs were bad, and**
- **the region was choking from growth (high housing prices, air pollution, shortage of workers, traffic gridlock)**

The Old Economy Model: Getting Cheap

- < **Getting cheap meant tax holidays, big subsidies and other giveaways to companies that only cared about cost.**
- < **The result were low wage jobs and companies that were just as likely to leave after a decade for even cheaper pastures.**
- < **For example, almost half the jobs of companies in one Midwestern city that got tax subsidies paid less than 8\$ per hour.**

The New Economy Model: Getting Prosperous


< Getting prosperous means focusing on creating jobs with higher wages and better working conditions, reducing poverty and increasing economic opportunities for all of the region's citizens.

The Old Economy Model: Location, Costs, and Resources

Industry's "Sea of Opportunity"

debt-free
INDIANA

MAIL COUPON TODAY



DIRECTOR, INDIANA DEPARTMENT OF COMMERCE
175-222 STATE HOUSE
INDIANAPOLIS, INDIANA

Dear Sir:

Please send me _____ copies of your free 72-page brochure entitled
WHY BEST FREE INDIANA IS WITH QUALIFIED MANUFACTURING INDUSTRY THAN ANY OTHER STATE PER CAPITA.

NAME _____

ADDRESS _____

CITY _____ STATE _____



NO STATE DEBT! Our State Constitution forbids it! In fact, Indiana has millions of dollars in surplus!

NO "NUISANCE" OR "PENALTY" TAX. No net income, net, retail sales, corporate or manufacturer's tax! *NO* tax on receipts from sale to foreign or foreign countries! Only 1/4 of 1% tax gross receipts from sale for processing, re-sale, etc.—most for interstate or foreign commerce; 1% on other receipts derived in Indiana except from sale to ultimate consumer (1/2 of 1%). *And* Indiana's unemployment tax is far lower than average!

RAW MATERIALS. Low-cost coal. Limestone. Natural gas. Clay Center of the World. Pottsville. "White Clay," and its derivatives. Gypsum. Rock asphalt. Dolomite. Fluorspar. Waxes, sand, gravel, wood, corn, soybeans, etc.

23 RAILROADS, 300 MOTOR FREIGHT LINES, 9 airlines, 300 airports, more miles of paved highway per driver and per square mile than any other state—and all paid for!

GOOD LABOR. Responsible, versatile, 97% native, 30% four previous workers per capita plus annually. Available strike and lockout records. First in U. S. with labor-management charter.

AND IT'S GOOD TO LIVE IN INDIANA! Superior schools; 29 state and local colleges, universities. Fine housing, moderate cost. Low-cost care and local government. Good climate. Good hunting, fishing, conservation. Over 1000 lakes, streams; 32 famous state parks, forests, beaches. Rivers. Winter sports. Fine public swimming pools, parks, playgrounds, golf courses. *And* friendly, genuine people!

The New Economy Model: Getting Better

< Getting better means boosting the skills of the region's workforce, ensuring a technologically advanced infrastructure, fast and responsive government, and ensuring a high quality of life that will be attractive to knowledge workers.

What To Do:

- **Help companies get skilled workers**
- **Help Companies Access Technology**
- **Foster a Climate of Innovation**
- **Encourage a Robust IT Infrastructure**
- **Boost Quality of Life**
- **Foster New Economy Governance**

Metropolitan regions that meet the challenges of the New Economy focusing on innovation, learning, and constant adaptation... will be the ones that succeed and prosper.

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