Each year the World Bank publishes a study about how each country ranks when it comes to competitiveness in the “knowledge economy.” A knowledge economy, broadly, is a nation’s ability to compete globally with intellectual capital. In a world where this knowledge currency is becoming more widely circulated, a nation’s ability to compete with its ideas becomes ever more valuable.

Yet in 2012, despite the prevalence of “American exceptionalism” in political stump speeches, the United States ranked 12th in the World Bank’s study, dropping from fourth place in 2000. So what happened? What is keeping the United States, and specifically, individual states, from competing more rigorously on the knowledge economy stage?

The specific reasons the U.S. declined in the study may provide insight into how to fix the problem. Nationally, the decline is due to a failure to keep up in what the World Bank calls “Information and Communications Technology Infrastructure,” which means the effective communication, dissemination and processing of information, and “Economic Incentive and Institutional Regime,” or, how well we promote innovation and entrepreneurship. The study attributes these failures primarily to a lag in how much we communicate individually—i.e., a lag behind other industrialized countries in telephone use per 1,000 people—and because of tariff and non-tariff barriers to trade—i.e., any restrictions on imports and exports.

You can read the full World Bank study here [2].

While the U.S. may be losing ground in World Bank rankings, the role of intellectual property, a key ingredient in catalyzing the knowledge economy, continues to grow. The Global Intellectual Property Center, an affiliate of the U.S. Chamber of Commerce, published a breakdown of the impact of intellectual property-intensive companies on individual states. The report showed that:

- 55 million jobs, supported by IP-intensive industries, make up 46 percent of private sector employment
- A total $5.8 trillion output by IP-intensive industries
- 30 percent higher wages than the national average supplied by these companies
- 74 percent of exports, which amounts to nearly $1 trillion

The state-by-state breakdown can be accessed here [3].

With state leaders across the country scrambling to roll out innovative economic development strategies, promoting opportunities in the knowledge economy will likely rank high in state priorities
for years to come. The U.S. has always been a country of ideas that has prided itself on innovation and our ability to stay ahead of the curve, but this year’s World Bank study shows that we are slipping.

While the media may be focused on the election cycle and national politics, the decisions states leaders make to promote this vital sector of our economy may ultimately have a far bigger impact on how our nation fairs in this global competition than the debates playing out in Washington.

Tags: