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The Talent Magnet

By DAVID BROOKS

President Obama will be talking about economic growth and competitiveness in the State of the Union address Tuesday night. It will be interesting to see if he talks about it in the standard way or in a visionary way.

The conventional way would be fine — expanding exports, reforming education, adjusting corporate tax rates to help firms compete. But it wouldn't really give the country what it hungers for. The country wants a more precise vision of what a thriving America is going to look like in the 21st century. It also wants Obama to define, once and for all, his vision of government's role.

A visionary speech might begin with the fact that America's position in the world is changing. In the 20th century, America was the Big Dog nation. We had more money, more resources and more skilled labor, and we could outcompete our rivals by dominating the inputs and the outputs — by pouring in more talent, greater investments and more resources.

In the 21st century, the U.S. will no longer be the Big Dog. Human capital will be more broadly dispersed. There will be an array of affluent nations fully engaged in the global economy. Therefore, competitiveness will be more about organizing relationships than amassing force. To thrive, America will have to be the crossroads nation where global talent congregates and collaborates.

Parents in middle-class nations around the world should want to send their kids to American colleges. Young strivers should dream of working in Hollywood or Silicon Valley. Entrepreneurs from Israel to Indonesia should be visiting venture-capital firms in San Francisco or capital markets in New York. Global engineers should want to learn the plastics techniques in Akron and retailers should learn branding and distribution in Bentonville and Park Slope.

In this century, economic competition between countries is less like the competition between armies or sports teams (with hermetically sealed units bashing or racing against each other). It's more like the competition between elite universities, who vie for prestige in a networked

search for knowledge. It's less: "We will crush you with our efficiency and might." It's more: "We have the best talent and the best values, so if you want to make the most of your own capacities, you'll come join us."

The new sort of competition is all about charisma. It's about gathering talent in one spot (in the information economy, geography matters more than ever because people are most creative when they collaborate face to face). This concentration of talent then attracts more talent, which creates more collaboration, which multiplies everybody's skills, which attracts more talent and so on.

The nation with the most diverse creative hot spots will dominate the century.

If this is the nature of competitiveness, what is the role for government? Well, government will be a bit like the administration of a university. A university president is nominally the head of the institutions. He or she lives in the big house. But everybody knows a university president is a powerful stagehand.

The professors, the researchers, the tutors, the coaches and the students are the real guts of a university. They handle the substance of what gets done. The administrators play vital but secondary roles. They build the settings. They raise money. They recruit and do marketing. They help students who are stumbling.

The administrators couldn't possibly understand or control the work in the physics or history departments. They just try to gather talent, set guidelines and create an atmosphere where brilliance can happen.

So it is with government in an innovation economy. Entrepreneurs, corporate executives, line workers and store managers handle the substance of the economy. Government tries to nurture settings where brilliance can happen.

First, government establishes an overall climate, with competitive tax rates and predictable regulations and fiscal balance. Tax rates don't have to be rock bottom. Companies will pay more if there are other amenities to compensate. But everything should be structured to nurture new business formation.

Then government actively concentrates talent. City governments are used to thinking in this way, while national governments lag. For example, Robert Steel, the deputy mayor of New York City, gave an excellent speech on Dec. 16 on how to build a bioscience center in Brooklyn and how to build an engineering center on Staten Island or Roosevelt Island. The speech was about using government to build hubs.

Finally, the government has to work aggressively to reduce the human capital inequalities that open up in an innovation economy. That means early and constant interventions so everybody has a chance to participate.

President Obama exists because his father was drawn to study in the United States. Obama embodies America's nascent role as the crossroads nation. Let's see if he can describe the next phase of American greatness.