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Winning the Race for Global Innovation Advantage

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The Information Technology and Innovation Foundation (ITIF) is a Washington, D.C.-based think tank at the cutting edge of designing innovation policies and exploring how innovation will create new opportunities to boost economic growth and improve quality of life. ITIF focuses on:

- Innovation “verticals”: energy, life sciences, telecom, manufacturing, and Internet and IT transformation

- Innovation “horizontals”: trade, tax, talent, and tech policy

- “Innovation economics” as an alternative to mainstream economics
The U.S. is Losing the Race for Global Innovation Advantage
So What Should We Do?

- Set ambitious goals to regain our lead by 2020
  - Restore U.S. manufacturing output to 2000 levels
  - Balance the trade deficit
  - Expand technology jobs by one-third
  - Raise per-capita incomes by one-third
How Should We Do It?

Cost reduction is not enough
U.S. Manufacturing Costs Not the Problem

Source: Numbers Based on Analysis of Data from on MAPI and Manufacturing Institute 2011 Report on The Structural Cost Of U.S. Manufacturing. October, 2011

Manufacturing Costs per Worker Hour

Source: Numbers Based on Analysis of Data from on MAPI and Manufacturing Institute 2011 Report on The Structural Cost Of U.S. Manufacturing. October, 2011

THE INFORMATION TECHNOLOGY & INNOVATION FOUNDATION
What Should We Do? Focus on the 4 “Ts”

- Tax
- Talent
- Tech
- Trade
Corporate tax reform should preserve or expand 3 key incentives for manufacturing (R&D tax credit; accelerated depreciation [MACRS]; and the domestic production deduction [section 199]).

Implement a quasi-incremental *Innovation and Investment Tax Credit* that provides a credit on expenditures on R&D, machinery and software investment and workforce training.

Corporate tax reform should reduce the *effective* U.S. rate as U.S. effective tax rates on manufacturers are the highest of 20 nations.
Trade

- We can’t hope to win in manufacturing without containing and rolling back growing foreign trade mercantilism, especially from China, but increasingly India, Brazil, and Russia.

- Our trade enforcement system needs more resources.

- Detail an Ambassador-level trade enforcement chief and fund the Interagency Trade Enforcement Center.

- We need to form an alliance with Europe, Japan, and Commonwealth nations to press China to become results-oriented (trade deficit, IP theft, forced JVs, etc.).

- Get a lot tougher on mercantilists (e.g., exclude mercantilist countries from the Generalized System of Preferences).
Talent

- Ensure that any comprehensive immigration package include a robust high-skills component, modeled on the Senate I-squared bill.
- Support increased adoption of industry-recognized, nationally portable credentials such as those produced by the NMSSC.
- Fund engineering co-op programs between universities and industry.
- Fund 400 new specialty math and science high schools.
- Provide incentives for colleges and universities to graduate more U.S. residents with STEM degrees.
Technology

- Significantly expand federal support for research, particularly engineering research and research partnerships with industry and universities/fed labs.

- Support the designation of 20 U.S. “manufacturing universities.”

- Create a National Network of Manufacturing Innovation Institutes performing applied R&D and increase funding for Manufacturing Extension Partnership.
Thank You

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