

February 14, 2013

Winning the Race for Global Innovation Advantage

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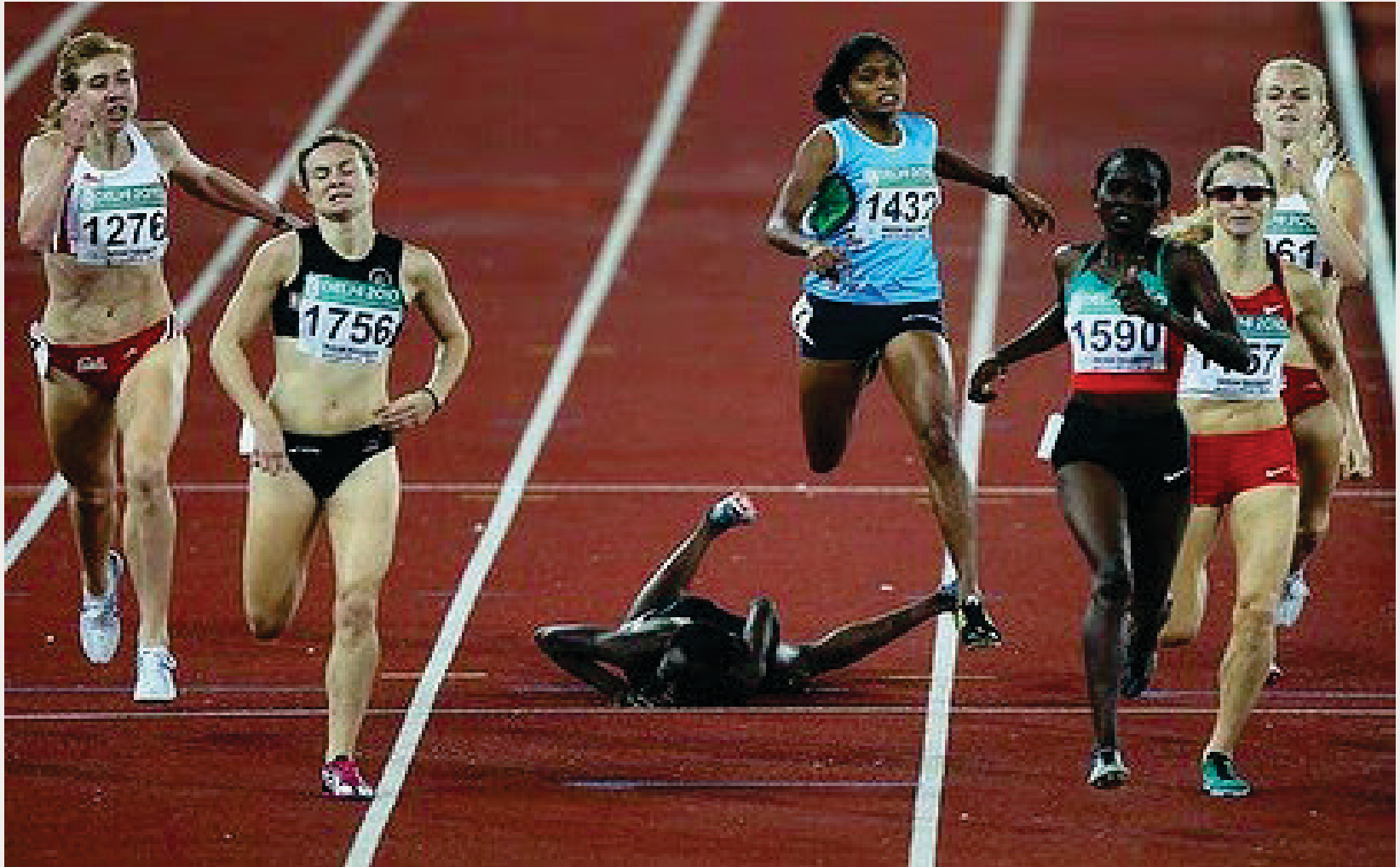
Information Technology and Innovation Foundation



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

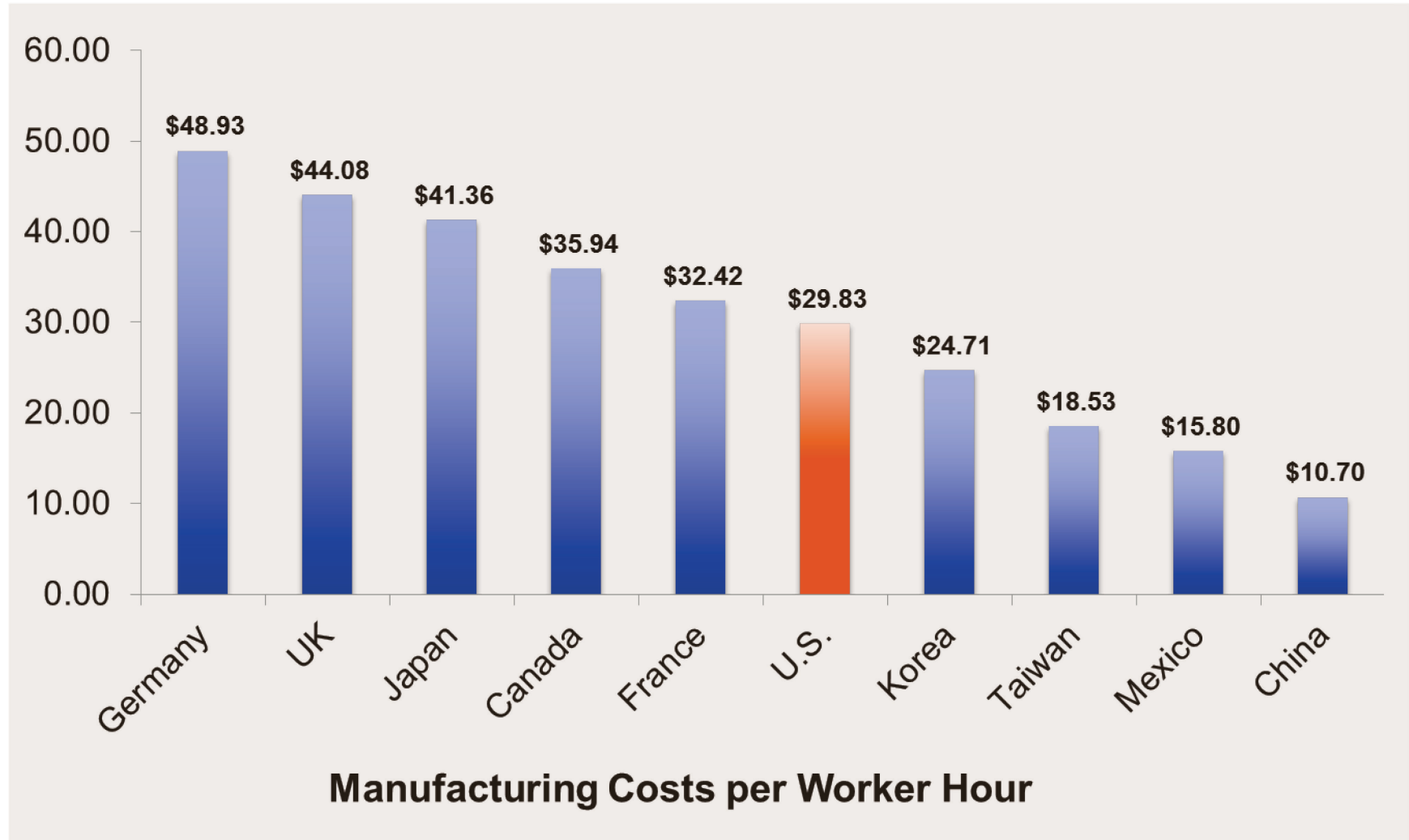
- Set ambitious goals to regain our lead by 2020
 - Restore U.S. manufacturing output to 2000 levels
 - Balance the trade deficit
 - Expand technology jobs by one-third
 - Raise per-capita incomes by one-third

- **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

■ What Should We Do? Focus on the 4 “Ts”

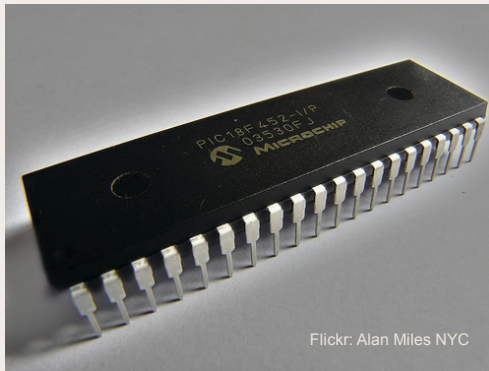
Tax



Talent



Tech



Trade



■ Tax

- 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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