

# From 10th to 1st: Improving U.S. Innovation and Global Competitiveness

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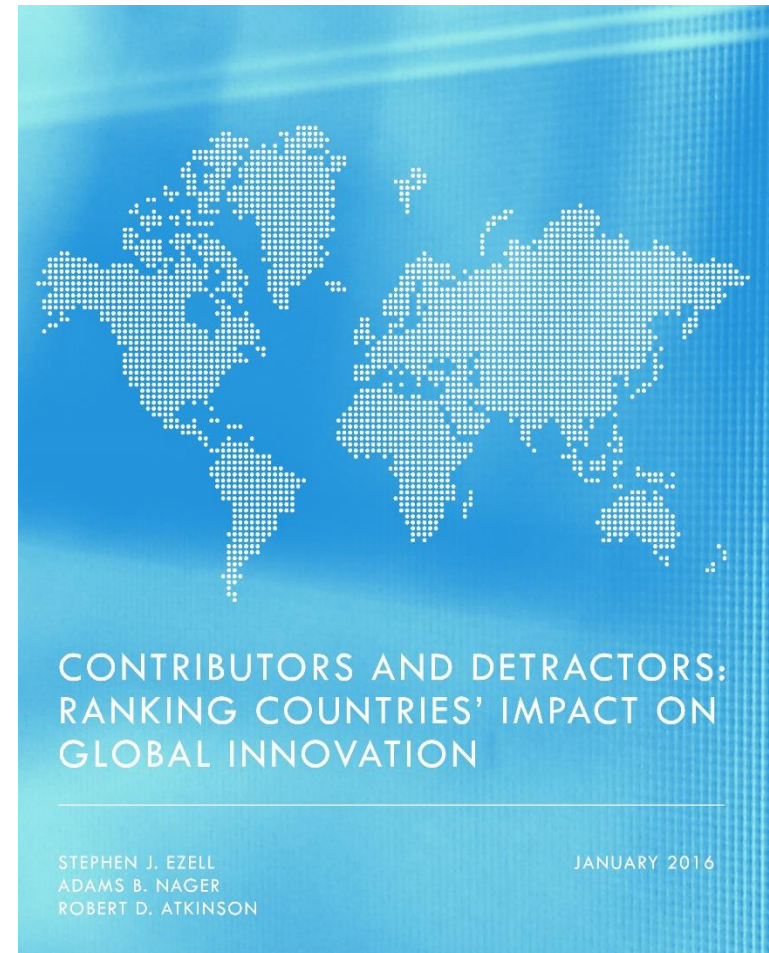


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# The Report

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- Assesses 56 countries on 27 indicators, grouped into “Contributions” and “Detractions.”
- Measures the extent to which, *on a per-capita basis*, countries’ economic and trade policies contribute to, and detract from, global innovation.



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# Why ITIF Wrote this Report

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1. The world is not producing as much innovation as is possible—or as is needed.
2. Innovation policy is still largely conceived in terms of how it impacts national economic growth.
3. Studies have ranked countries on innovation capabilities and outcomes, but none on how countries' policies impact global innovation.
4. Policies have significant positive and negative geographic spillovers.

# National Policies Impact Global Innovation

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A blue arrow originates from the 'National Innovation Policy' column and points towards the 'Global Innovation Impact' header, indicating a causal relationship.

		Global Innovation Impact	
		World Wins	World Loses
National Innovation Policy	Country Wins	Good	Ugly
	Country Loses	Self-Destructive	Bad

# Report Indicators - Contributions

Contributions Indicators (Weight=6)	Data Type	Category Weight
<b>Taxes</b>		2.5
Effective Corporate Tax Rates	Raw Number	
R&D Tax Credit Generosity	Raw Number	
Collaborative R&D Tax Credits	Binary Variable	
Innovation Boxes	Binary Variable	
Taxes on ICT Products	Raw Number	
<b>Human Capital</b>		2.5
Expenditures on Education	Composite Score	
Science Graduates	Raw Number	
Top-Ranking Universities	Composite Score	
Scientific Researchers	Raw Number	
<b>R&amp;D and Technology</b>		5
Government R&D Expenditures	Raw Number	
"Bayh-Dole-Like" Policy	Categorical Variable	
National Innovation Foundation	Binary Variable	
Research Citations	Composite Score	
Government Funding of University R&D	Raw Number	

# Report Indicators - Detractions

Detractions Indicators (Weight=4)	Data Type	Category Weight
<b>Balkanized Production Markets</b>		4
Non-tariff Trade Barriers	Raw Number	
Number of Types of LBTs	Categorical Variable	
Foreign Equity Restrictions	Raw Number	
Currency Manipulation	Categorical Variable	
Export Subsidies	Raw Number	
<b>IP Protections</b>		4
<i>Special 301 Report</i>	Categorical Variable	
Ginarte-Park Patent Rights Index	Raw Number	
Intellectual Property Protection	Composite Score	
IP and Reimbursement Environment Supporting Life Sciences Innovation	Composite Score	
Software Piracy Rate	Raw Number	
<b>Balkanized Consumer Markets</b>		2
Services Trade Restrictiveness	Raw Number	
Simple Mean Tariff Rate	Raw Number	
Tariffs on ICT Products	Raw Number	

# Results: Country Ranks

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Top 5

## Overall

1. Finland
2. Sweden
3. United Kingdom
4. Singapore
5. The Netherlands
- 10. United States**

## Contributions

1. Singapore
2. Korea
3. Finland
4. Sweden
5. United Kingdom
- 17. United States**

## Detractions

1. Finland
  2. The Netherlands
  3. Belgium
  4. Ireland
  5. Sweden
  - 6. United States**
- 

Bottom 5

## Overall

52. Ukraine
53. Thailand
54. India
55. Indonesia
56. Argentina

## Contributions

52. Colombia
53. Argentina
54. Indonesia
55. Mexico
56. Costa Rica

## Detractions

52. Russia
53. Argentina
54. India
55. China
56. Thailand

# Relative Country Positions





# U.S. Ranks by Indicator Category

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## Contributions Indicators (17<sup>th</sup>)

Human Capital	4 <sup>th</sup>
R&D Technology	10 <sup>th</sup>
Innovation-Incenting Tax System	49 <sup>th</sup>

## Detractions Indicators (6<sup>th</sup>)

Intellectual Property Protections	1 <sup>st</sup>
Balkanized Consumer Markets	4 <sup>th</sup>
Balkanized Production Markets	25 <sup>th</sup>

# What U.S. Would Have to Do to Be #1

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Five changes could make the U.S. the top performer for both Contributions and overall:

1. Reduce its effective corporate tax rate from 27.7% to 18.2%;
2. Increase its R&D tax credit from 14% to 24%;
3. Implement an innovation box;
4. Increase government funding of university R&D by \$68 billion per year; and
5. Increase number of tertiary graduates in STEM fields by 20%.

# America Must Get the “4 Ts” Right

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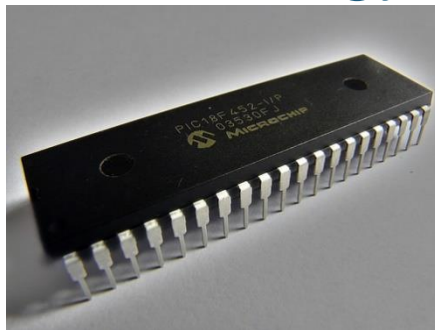
Tax



Talent



Technology



Trade



# Thank You!

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