

One from Column A, B, and C: Finding a New Bipartisan Consensus on U.S. Competitiveness and Innovation Policy

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U.S. competitiveness can no longer be seen as a partisan issue. Both Democrats and Republicans contribute useful recommendations that must be blended to restore U.S. competitiveness to a world-leading position.

While many attribute the United States' recent economic travails simply to a financial crisis predicated on excessive mortgage lending, the reality is that the Great Recession was also symptomatic of the long-term structural decline of U.S. economic competitiveness. The truth is that the United States is in the midst of a competitive crisis. Once the unquestioned world leader in cutting-edge technologies and high-value manufacturing and services, today competitor nations are racing ahead at enhancing their innovation capacity while U.S. progress in making its economy more competitive and innovative stagnates. The Information Technology and Innovation Foundation finds that out of forty countries and regions, the United States ranks 6th in overall innovation-based competitiveness but 40th, dead last, in the rate of progress made over the last decade. For the first time, it's an open question whether the United States will continue to lead the world in innovation-based competitiveness. And the stakes couldn't be higher: American quality of life, high paying-jobs, and growing incomes all depend on whether or not the U.S. economy can outperform competitors, particularly in Europe and Asia.

Yet despite the urgency of the problem, solutions are slow to come from Washington as each side of the political aisle offers different explanations for the economy's problems along with different solutions. Democrats blame the Great Recession on lax federal

regulation of the financial and housing sectors and the debt on Republicans' obsession with tax cuts; Republicans blame excess federal intervention in housing markets, labyrinth regulations, high taxes, and excessive public spending and debt as the root cause of U.S. economic stagnation. For their part, organized labor lays blame at the feet of greedy corporations no longer loyal to America, while groups like the U.S. Chamber of Commerce blame stubborn unions and bloated government. So while there is consensus that a problem exists, there's also a consensus that it's someone else's fault. But the issue of stagnating U.S. competitiveness is not just a problem for labor, corporations, Washington, or political parties—it's an American problem. While America likes to take comfort in the belief that it can readily out-innovate, out-manufacture, and out-compete any country in the world, the stark reality is that it is simply not doing so. For too long, Americans have simply assumed that the United States' competitiveness, innovation, and productivity engine could run on autopilot, without any care or attention. But U.S. competitiveness has begun to falter, and the engine is breaking down and badly in need of repairs. To restore U.S. competitiveness to a world-leading position will require a national strategy that melds together the best ideas from each political party as well as from business and labor.

Yet unfortunately we are bogged down in partisan bickering, ideological rigidity, and a lack of focus and creativity. From health care, to social issues, to foreign policy, there is no shortage of issues Democrats and Republicans and their ideologically related special interest groups can use to score political points on one another. But American competitiveness can no longer be one of those issues. If we're going to save this country's economy, we should, can, and must find a way to come together around a common competitiveness and innovation agenda. Both sides of the political aisle make important policy contributions to such a competitiveness and innovation strategy. But neither side gets it entirely right, thinking "their" ideas alone will be sufficient.

It is time for each side to come out of their partisan corners and recognize that effective solutions will require a greater degree of creativity, flexibility, innovativeness, and compromise. The discussion can't just be about "big" or "small" government or about "laissez faire" or "industrial policy;" it needs to be about identifying the right steps to facilitate the competitiveness of American enterprise, with some steps meaning more government and others less. Similarly, the debate over tax policy needs to be about more than "corporate welfare" but instead about how the United States can redesign its corporate tax code to create a tax-friendly environment for business investment, which will promote innovation-based industries and jobs here in America. This brief reviews policy recommendations from across the political spectrum and takes the best ideas from each party to suggest what a truly American competitiveness strategy ought to look like. The time is short. It's time to put country first, and party second.

INNOVATION AND COMPETITIVENESS STRATEGIES ARE NOT PARTISAN

The first step is to establish consensus around the need for a national competitiveness strategy. Holders of free-market ideology claim that nations should not set goals for their economies because, by definition, whatever economy the market produces is the right one, superior to any economy influenced by goals, whether they are "Stalinist" five-year plans or

the most market-friendly innovation policies like a robust R&D tax credit. This is one reason why the United States has generally not set innovation goals, other than recently with respect to broadband and clean energy. But creating and implementing a competitiveness strategy is not a partisan act, for having a strategy is simply a way for the United States to understand what it needs to do, whether it's why the United States needs to cut the effective corporate tax rate, reduce regulatory red tape, expand research funding, or help small manufacturers become more productive and innovative. Indeed, since the mid-20th century, most state governors, regardless of their party affiliation, have put in place policies to tilt the playing field so that corporations create higher-value-added jobs in their states. These governors, Republicans and Democrats alike, recognize that markets generally create prosperity, but that in nationally, and now internationally, competitive markets, that prosperity does not automatically occur within their state's borders. They understand the necessity of going beyond letting firms alone determine the location of high-value-added economic activities; that's why they "intervene" in their economies with activist economic policies such as workforce development programs, industry-university research centers, R&D tax incentives, and favorable regulatory climates.

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For the U.S. economy, the implication is that the United States has now in essence become a large state—in the sense that a large share of its economy is now traded—and it competes against other nations, the way U.S. states have long had to compete for investment (first between states and now globally). Leaving it up to the results of market competition alone, without understanding government's role in nurturing an effective U.S. innovation ecosystem, will lead to the United States continuing to lose out in global competitions for high-value-added technology and knowledge-intensive production. This is why states focus tax cuts on traded sectors like manufacturing and high-tech and boost funding for university technology transfer and workforce development, among a myriad of other steps to help their businesses effectively compete.

Moreover, global competition for innovation-based economic growth has dramatically intensified over just the past decade, as at least thirty nations have put in place national competitiveness and innovation strategies. As part of these strategies, many countries unabashedly state their intention to lead the world in certain industries, technologies, or application areas (such as clean energy, information technology, nanotechnology, robotics, or life sciences), and they commit to supporting this objective by investing the necessary resources. These countries believe that without ambitious goals to work toward, their public, non-profit, and government sectors will not be adequately motivated to take the needed steps. To better compete with these countries, the United States needs to develop its own national competitiveness and innovation strategy. Such a strategy should focus on four key areas: tax policy, public investment in R&D and innovation, the role of government as a facilitator of innovation, and trade policy.

Tax Policy

Few issues in American politics are as contentious as tax policy. This is because tax policy is generally discussed in ideological terms. Democrats often view the role of tax policy as promoting equality or social justice, not as driving national competitiveness, while Republicans believe that corporate and personal taxes should be reduced and simplified as

much as possible because markets, not governments, should determine private sector behavior. But, in reality, in global markets business taxes have to be globally competitive and markets do not always adequately incentivize the types of private sector activities that promote innovation, such as R&D, capital investment, and workforce training. As a result, what both sides of the aisle should really be focused on is making the corporate tax code a stronger engine (and not a handicap) for U.S. competitiveness and innovation.

The globalization of innovation has forced countries to move from being price makers to price takers in international markets. In other words, corporations now rightly shop the globe to find the countries with the most attractive markets—based on corporate tax rates, R&D tax incentive generosity, workforce talent, availability of robust physical and digital infrastructure, and the presence of technology clusters, among other factors—in which to locate their R&D, design, production, and management activities. In a global economy where capital and corporations are no longer tied to particular nations and nations fiercely compete for internationally mobile investment, countries' tax systems are an increasingly vital part of this competition. From a competitiveness perspective, there are four salient elements of the tax code: corporate tax rates, territoriality, R&D tax credits, and allowing incentives for capital equipment purchases.

Republicans have traditionally understood this better than Democrats, but neither side has gone far enough, and both parties have mistakenly focused more on personal tax rates than on corporate rates. First, U.S. corporate tax rates remain far too high. At 32 percent, the U.S. effective marginal corporate tax rate is the highest of any OECD country. The current combined U.S. federal-state corporate tax rate is 39.1 percent, far above the OECD average of 26.3 percent.¹ This is uncompetitive. High U.S. corporate tax rates are hurting American firms' ability to compete globally while reducing the likelihood that foreign multinational firms will establish or expand operations in the United States. Higher U.S. corporate tax rates are one reason why, from 2000 to 2009, the amount of capital investment abroad by U.S. manufacturing firms and majority-U.S.-owned affiliates was on average 16 percent higher than manufacturing investment at home.²

Second, the United States' current territorial tax system puts U.S. multinational companies at a competitive disadvantage relative to competitors facing no domestic taxes on income earned abroad. Under the current system, U.S. multinational corporations that earn profits overseas must pay U.S. corporate taxes if they repatriate funds back to the United States. Because the U.S. corporate tax rate is higher than other countries', firms generally do not bring profits earned abroad back to the United States. In fact, U.S. companies are holding profits in excess of \$1 trillion abroad. Allowing companies to bring this money back into the United States through a temporary, reduced tax rate would provide an additional economic stimulus and incentivize firms to invest in the United States. One study of how U.S. firms would use profits repatriated to the United States found 36 percent of firms stating that they would use the funds for capital investment, 25 percent for hiring U.S. employees, and 25 percent for R&D.³ Ultimately, however, the solution is to move to a system with lower effective U.S. corporate rates and where only corporate profits earned in the United States are taxed by the U.S. government. This is what most European and Asian nations do.

Third, the U.S. R&D tax credit is no longer globally competitive. It must not only be made permanent but also significantly expanded. While the United States created the R&D tax credit and long offered the world's most generous credit, it has fallen to 17th in generosity among OECD nations, and has even fallen far behind the credits offered in Brazil, China, and India. France offers an R&D tax credit six times more generous than the United States'. Yet virtually all studies find that the R&D tax credit effectively spurs private sector R&D and economic growth. President Obama has proposed increasing the Alternative Simplified Credit (ASC) from 14 to 17 percent, and although this is a step in the right direction, it's not a large enough step. Increasing the credit to 17 percent would move the United States to 13th place among OECD nations; progress no doubt, but few agree that 13th is a satisfactory position for American innovation. To move to 10th place, Congress would need to increase the credit to 20 percent, for 5th place to 36 percent, and to once again have the world's highest R&D tax credit, Congress would need to raise the credit to 47 percent, more than three times its current level. Low U.S. R&D tax credit generosity explains in part why, from 1998 to 2007, investment by U.S. corporations in R&D increased more than two and a half times as fast overseas as all corporate investment (by U.S. corporations and by foreign corporations investing in the United States) did domestically.⁴

Finally, Democrats and Republicans should unite to make permanent President Obama's proposal to allow companies to expense in the first year their expenditures on new machinery and equipment, including IT equipment and software. An effective growth policy needs to be based in part on lower prices for equipment and machinery. One way to achieve this would be to let firms expense all the cost of equipment in the first year instead of having to amortize the costs over a number of years. Allowing expensing of plant and equipment purchases will reduce the after-tax price of investment, raising the level of domestic investment and the productivity of workers. Alternatively, Congress could institute an investment tax credit.⁵ In either case, providing stronger incentives for investment in machinery and equipment is needed to spur not only increased productivity but also to make the U.S. tax system more competitive internationally.

Public Investment in Research and Innovation

While many Republicans believe that a more competitive tax environment alone will be sufficient, in fact the United States cannot win the global race for innovation advantage by only lowering taxes. We also have to be increasing, not decreasing, robust investments in key innovation "infrastructures," for public investment in innovation plays a vital role in supporting America's economic competitiveness. Democrats traditionally have been more willing to recognize the importance of public investment as a key component of a nation's global competitiveness. While most Republicans support some level of funding for basic scientific research, many want to cut even those budgets (even though they are lower now as a share of the economy than they were 20 years ago). And for many Republicans public investments in applied scientific research or research with an industrial application come perilously close to "industrial policy"—a pejorative for government's inappropriate meddling in the marketplace. But cutting taxes and hoping for the best is an insufficient strategy for rebuilding U.S. innovation leadership. Funding basic and applied research, supporting training of scientists and engineers, facilitating industry-university partnerships

and technology transfer, helping small manufacturers boost productivity, and investing in next-generation technologies such as clean energy, nanotechnology, and life sciences (including bringing choiceful intentionality to the technologies and sectors most deserving of investment) are long-term endeavors that require public investment because the private sector will not undertake such activities entirely on its own. Moreover, the public, as opposed to just private, benefits of many of these technologies are quite significant.

Indeed, modern innovation has become much more collaborative in nature, increasingly relying on effective public-private partnerships. The more collaborative nature of the modern innovation process is reflected by the greater role that government agencies, federal laboratories, and research universities play in private-sector innovation. In a study of award-winning innovations over the past four decades, U.C. Davis scholars Fred Block and Matthew Keller find that large firms acting on their own account for a shrinking share of award-winning innovations, whereas innovations derived from collaboration between the private sector and universities and federal laboratories have become much more prominent. For example, Block and Keller find that, in 1970, 80 percent of award-winning innovations were developed by firms acting entirely on their own, while in 2006 over two-thirds of firms producing award-winning innovations benefited from federal-funding.⁶

Moreover, government is able to take risks on high-potential next-generation technologies (like the Internet in the 1960s or clean energy today) that the private sector by itself can't or won't. One of the effects of the evolution of U.S. financial markets over the last two decades has been that firms are pressured to prioritize short-term returns to shareholders over investments with longer-term payoffs, such as R&D and workforce training. Indeed, financial pressures have forced many U.S. firms to not only cut back on the growth of their research budgets, but also to reallocate their research portfolios more toward product development efforts and away from longer-term and more speculative basic and applied research. For example, from 1991 to 2008, basic research as a share of corporate R&D conducted in the United States fell by 3.6 percent, while applied research fell by roughly the same amount, 3.5 percent. In contrast, development's share increased by 9.8 percent. Moreover, the U.S. share of global R&D fell from 39 percent in 1999 to 33 percent in 2007, while China's share increased fourfold.

Thus, a key pillar of a U.S. national competitiveness and innovation strategy should be to increase funding to agencies such as the National Science Foundation (NSF), the National Institutes of Health (NIH), the Defense Advanced Research Projects Agency (DARPA), and ARPA-Energy (ARPA-E) that work with the private sector to develop far-reaching technologies through support for early stage research. But much of this funding, especially at NSF and NIH, needs to be tied much more closely to industry-university partnership programs, including Focus Center Research Programs (FCRPs) such as the Semiconductor Research Corporation (SRC) and programs like NSF's Engineering Research Centers (ERCs) and Industry/University Cooperative Research Centers (I/UCRCs).⁷

Finally, the United States cannot remain a global leader in high-tech industries without an adequate supply of high quality high-tech workers. America's inability to train sufficient numbers of science, technology, engineering, and math (STEM)-skilled workers is a

significant roadblock to American competitiveness. Recently, the gap in U.S. STEM degrees and the growth in STEM jobs in the United States have been filled by foreign workers.⁸ By 2002, the most recently compiled data on foreign representation in the STEM workforce showed that nearly 20 percent of workers in STEM occupations were foreign-born. Yet, we see the same partisan divide here as in other areas. Many (but not all) Republicans are willing to rightly boost visas for STEM workers, but oppose increases in federal funding for STEM education. Many (but not all) Democrats take the opposite view, seeing increased visas as a threat to U.S. workers, while being willing to invest more. To address the U.S. STEM skills gap, picking one from column A or one from column B won't cut it. We need both: increased visas for STEM workers and increased STEM education investment.

Government as a Facilitator of Innovation

Innovation—the improvement of existing or the creation of entirely new products, processes, or services—is the lynchpin of economic prosperity in the new global economy. Yet innovation policy is not often at the center of government decision making. While Republicans have been better champions of a competitive tax environment and Democrats better champions of government investment to support the U.S. innovation ecosystem, neither party has embraced government's role as a facilitator of (rather than a deterrent to or abdicator of) innovation.

What both sides of the aisle should really be focused on is making the corporate tax code a stronger engine (and not a handicap) for U.S. competitiveness and innovation.

Again, both sides of the aisle provide useful insights. Republicans are right to focus on avoiding, streamlining, and in some cases eliminating certain innovation-inhibiting regulations. For example, proposed net neutrality regulations from last year and privacy regulations proposed this year could have significant negative impact on innovation. But Democrats are right to call for increased funding of core innovation-supporting government agencies, including the Federal Drug Administration (FDA), the Patent and Trademark Office (PTO), and U.S. economics statistical programs. These and other key government agencies help support the U.S. innovation system, but are woefully under-resourced. The U.S. Patent and Trademark Office used to be the envy of other nations for its effectiveness and efficiency. But today backlogs at the PTO mean that most patent applicants wait years for a decision. Likewise, there have been increased delays at the FDA for drug and device approval and difficulties in upgrading the scientific expertise needed to expeditiously and effectively evaluate new drugs and biological submissions.⁹ And the U.S. statistical system could do a much better job of providing the kinds of data that would help policymakers understand the status and condition of the U.S. innovation system. But again, one from column A (streamlining regulations) or one from column B (funding innovation-supporting agencies) won't cut it. We need to do both.

Meanwhile, two proposals that are apt to find supporters on both sides of the political aisle are leveraging government procurement to promote innovation and establishing an Office of Innovation Review (OIR) within the Office of Management and Budget (OMB) to champion innovation throughout government.

Regulations governing public sector procurement are traditionally seen as necessary but mundane rules meant to keep government agencies honest, transparent, and cost-conscious. Yet the federal government is the largest purchaser in America and thus should

think strategically about procurement, taking innovation into account when purchasing goods and services. Indeed, governments in many countries have used their power of the purse to promote innovation through the procurement process by making innovation an explicit metric when awarding public sector contracts. Doing so not only makes governments run more effectively but can also help support the growth of innovative firms.

At the same time, the federal government needs to have a better understanding of what policies and regulations support innovation and which do not. But innovation is the poor stepchild of 1970's-era cost-benefit analysis. For over thirty years, OMB's Office of Information and Regulatory Affairs (OIRA) has reviewed proposed federal agency actions using cost-benefit analysis. In other words, will agency regulations or actions lead to benefits that exceed their costs? This is certainly important, but there is almost no analysis of how federal actions will affect innovation. To remedy this, Congress should establish a small Office of Innovation Review within OMB whose mission would be to champion innovation within these processes.¹⁰ Such an entity would add an important new voice to the regulatory conversation. There would now be an entity speaking clearly and forthrightly on the centrality of innovation. More important, OIR would not merely have a voice: it would be able to remand agency actions that harm innovation. It could also propose regulations that foster innovation. This is no small matter. Indeed, it would change the regulatory playing field overnight.

Trade Policy

One of the most important functions of a national competitiveness and innovation strategy would be to provide clear and aggressive strategies for approaching global markets and national actions taken in those markets. Unfortunately, trade policy is yet another issue of U.S. competitiveness that is discussed more from an ideological perspective than through sound analysis. Democrats and their ideological allies in organized labor still consider globalization a malign force in the modern economy and insist that the point of economic policy should be to protect American workers from the impact of global markets at all costs. Yet policies that protect certain sectors from international competition are castles in the sand and do nothing to prepare the U.S. economy for global competition that's not going away.

On the other side, Republicans too often approach trade as they do markets, from an almost theological perspective, where trade, by definition, is always good for the U.S. economy and any government interference is inappropriate. But while trade is supposed to be governed by rules developed by international partners, mainly through the World Trade Organization (WTO), in fact many countries have decided to grow their economies through a number of mercantilist practices that contravene established trade laws and agreements while the WTO stands passively by singing the praises of free trade. For example, Pascal Lamy, Director-General of the WTO, would rather blame the nations hurt by innovation mercantilist policies than attack those policies. Lamy claims that it's a fallacy that, "current account imbalances are a trade problem [that] ought to be addressed by trade policies," arguing that, "current account imbalances between countries are primarily a macroeconomic phenomenon." Amazingly, Lamy even goes so far to praise these "imbalances" stating that they are a sign that savings in one country are being deployed or

used in another country: “If investment prospects are plentiful in a country, but its residents are unable to generate a sufficient amount of saving to exploit them, foreign savings can fill the gap.”¹¹

If most Republican members of Congress were legislators in these nations they would be the most vocal critics of such anti-market, mercantilist actions. But here in the United States they are strangely acquiescent when it comes to other nations’ mercantilist-based protectionism, even though it clearly hurts U.S. firms, American workers, and often American consumers.¹² Indeed, Republicans often do not support strict enforcement strategies out of worry that such stringent enforcement would be construed as “protectionist” and lead to a trade war. But while free trade can bring benefits to all parties, it will only do so if countries play by the established rules. Fighting mercantilism is in fact the antithesis of protectionism; it is a call for markets, not governments, to be playing the major role in the global trading system. If the United States fails to insist that other countries adhere to these rules, it will not realize the benefits globalization is poised to bring.

A new bipartisan trade consensus is long overdue, based on not only opening up more foreign markets to U.S. trade, but also pairing market openness with much tougher actions demonstrating that rampant foreign mercantilism is no longer acceptable.

The United States has seen a significant increase in global competition, from developed and developing nations alike, over the last several decades. While some countries have grown their export sectors through smart, legitimate trade and innovation policies, all too many countries have relied on a host of unfair and protectionist policies focused on systematically disadvantaging foreign, including U.S., companies to gain unilateral advantage. The United States must recognize that one of the reasons for the erosion of its traded sectors over the past three decades has been mercantilist countries’ use of unfair trade practices designed to induce the shift of U.S. manufacturing and R&D activity to their shores. If the United States hopes to curtail the impact of foreign mercantilism on U.S. export sectors, enforcing trade policy needs to become the top priority at the United States Trade Representative’s Office (USTR). Therefore, a new bipartisan trade consensus is long overdue, based on not only opening up more foreign markets to U.S. trade, but also pairing that market openness with much tougher actions demonstrating that rampant foreign mercantilism is simply no longer acceptable. One way to do this is for Congress to give USTR the resources necessary to be an aggressive advocate fighting against growing foreign technology mercantilism. To do so, Congress should increase USTR’s budget by \$40 million and create a Chief Trade Enforcement Officer and a Trade Enforcement Working Group within USTR while at the same time providing a 25 percent tax credit for company expenditures related to bringing a WTO case.¹³

Ultimately, both political parties are going to have to adjust their approach to trade if globalization is going to work for the United States and the world. Democrats need to move beyond their opposition to globalization; it’s here to stay and it’s fundamentally a good thing. Republicans need to get over their unwillingness to combat other countries’ mercantilist policies because they fear doing so constitutes protectionism or believe that “mercantilists only hurt themselves.” In short, globalization won’t work to the United States’ benefit unless Democrats embrace it and Republicans embrace fighting mercantilism.

CONCLUSION

Washington is hamstrung by political and ideological gridlock in many policy areas. While perhaps we can afford such principled and spirited differences in many policy areas, we can't when it comes to America's ability to compete. Republicans are all too often focused on limiting or denying government's contributions to bolstering U.S. economic competitiveness, while Democrats often seem more interested in shackling rather than harnessing the power of American enterprise. Each side thinks that if they just pursue the menu items in their "column" then U.S. competitiveness will be restored and all will be well. But there are two major problems with this perspective. First, because neither side wants the other side to get their menu items, few of the menu items ever get done. Second, even if one side would acquiesce to the other so that we get one side of the menu in place, it's not enough. We need all the menu items to get put on the table. Both sides will have to rise to the challenge: we simply can no longer afford a politics that looks at issues of U.S. competitiveness as true believers, with each side committed to getting its (correct) menu items and keeping the other side from getting its (incorrect) menu items. Each side has to bend if we are to restore U.S. economic greatness.

However, the political parties aren't the only problem; ideologically charged special interest groups are also complicit in and contribute to the stunted conversation around U.S. competitiveness. In particular, on the right, groups like the U.S. Chamber of Commerce and the National Federation of Independent Businesses (NFIB) are explicitly against virtually any government involvement in competitiveness and innovation policy other than cutting taxes and regulations. Mouthings platitudes like "Only American free enterprise is capable of meeting this challenge" may be good fodder for many Chamber members, but it cuts off rather than advances reasoned policy debate. On the left, groups like the AFL-CIO and Citizens for Tax Justice believe that government's role is to defend union workers and low-income Americans at any cost to the country's economy as a whole. For many in these organizations firms are the enemy, especially "profit-hungry multinational firms," and should be treated as such. Yet, ironically, because these left wing groups almost never support trade agreements or innovation and competition strategies of any kind, they also implicitly endorse the idea that it is the private sector's job to grow the economy. For their part, the Chamber and the NFIB need to realize that they can no longer serve the interests of their members by advocating for a minimalist government and to recognize that they are abdicating the interests of their members by taking that position. For the reality is that the interests of their members are intimately tied to public investment in research and innovation and active support for policies designed to stimulate U.S. competitiveness. At the same time, the AFL-CIO, Citizens for Tax Justice, and others need to understand that the interests of their members cannot be defended unless the U.S. corporate innovation engine is healthy and running on all cylinders, and that, among other steps, requires a more competitive tax code and smarter regulations. Both sides need to end the Hatfield and McCoy fight and increase the sophistication of their positions on U.S. competitiveness, and therefore we would like to see, before the year is up, a summit between the AFL-CIO (and other unions and social justice organizations) and the U.S. Chamber of Commerce (and other business associations) for how they plan to work together to foster an agenda for U.S. economic renewal.

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Finally, the backdrop to any discussion of restoring U.S. economic leadership is the federal budget situation. Even those sympathetic to the idea of taking budgetary actions to restore U.S. competitiveness (either on the tax or the investment side) will protest that this must wait until the budget is under control. We disagree for two reasons. First, it's not as if we are masters of our own fate. As we dither and delay other nations are racing ahead and each year that goes by makes it even harder to regain leadership later. Second, one of the reasons why the budget situation is problematic is because of the lack of robust growth and competitiveness. Many of the ideas proposed here are investments and as such will boost growth and end up creating more revenues than they cost. Therefore, ITIF rejects the notion that in a time of fiscal constraint investments that promote U.S. competitiveness (including corporate "tax expenditures") should take their share of cuts, just like all other budget items. Steps to address the budget situation, regardless of how important, cannot be used as an excuse to not take the steps needed to reduce corporate taxes and boost public investment in innovation.

In summary, in order to develop a thoughtful and effective national competitiveness strategy both political parties and their ideological allies, at a minimum, need to stop pretending that those on the other sides are enemies at the gate. It is high time to stop seeing U.S. competitiveness as a partisan issue. Successful U.S. states don't. Successful foreign nations don't. The federal government shouldn't. While we remain locked in internecine policy debates our countrymen are suffering and the prospects for future generations of Americans are dimming. There is no more important issue in the United States right now than restoring the competitiveness, innovation, and productivity engine of the U.S. economy, thereby putting the economy on a sound competitive footing now and for future generations. While Washington can continue to fight the principled good fight over everything else, it's time for Washington to develop a bipartisan consensus around crafting and implementing a comprehensive national competitiveness and innovation strategy.

ENDNOTES

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