

# NEW DEMOCRAT COALITION

## PRINCIPLES FOR INNOVATION & COMPETITIVENESS

Innovation, Competitiveness and Tax Reform Task Force

With an increasingly competitive global economy, it's more important than ever to advance policies that promote economic competitiveness and lay the foundation for the next generation to build on our success. A strong innovation agenda must include a strong partnership between the private sector and the federal government to spur greater private-sector growth. Even as we work to get our fiscal outlook in order, it is imperative to foster the innovation that will ensure our continued economic prosperity and position in the global economy. To maintain our competitive edge, America must provide the right environment to promote innovation and entrepreneurship. In this document, the New Democrat Coalition (NDC) has outlined basic principles that will allow our nation's businesses and entrepreneurs to be more innovative and competitive.

**Access to Capital:** A lack of reliable access to capital has affected many businesses, particularly small and medium-sized businesses, either those looking to weather the lingering effects of the recession or those looking to hire new employees, develop new products and expand their businesses globally. Business lending is especially important to facilitate innovative research or technological improvements. One of the most efficient means for businesses to raise capital is by accessing U.S. public markets. For decades, America's most promising young companies have pursued initial public offerings (IPOs) to access the additional capital they need to compete, grow and hire. Studies have shown that more than 90% of job growth occurs after a company's IPO. We should enact policies that streamline access to public markets for emerging, high-growth companies to foster the next generation of innovation and job growth in our economy. We should continue working to address the tension between banks' willingness to lend and signals from regulators and examiners, as well as the equity constraints caused by lower property values that hinders creditworthiness.

**Encourage Companies to Export:** In an increasingly interconnected global economy, it is imperative that we continue to improve and facilitate the ability of our businesses to compete globally. Increasing exports through export control reforms to reduce barriers for U.S. businesses and manufacturers, as well as improved export financing, will provide the tools to help our companies find new markets. Other countries provide more flexible and competitive export financing. Eliminating red tape for exporters and providing innovative forms of export financing to address their short term business needs must be a central part of our trade policy. Providing safe and efficient access to and from our export gateways, including modernization of our ports, railways and airports, consistent with the New Democrat Coalition's Principles for Supporting our Nation's Critical Infrastructure and Manufacturing Base, will improve the ability of businesses to effectively move goods to market. Holding our trading partners accountable and enhancing trade enforcement practices also is important to the competitiveness of U.S. exports.

**Reform our Nation's Immigration Policies:** In order to remain competitive, we must ensure American universities and employers can recruit and retain highly-skilled students and workers. This includes foreign students who have been trained in the United States and foreign entrepreneurs who want to work, study and invest in this country to create jobs. We can help achieve this goal by expanding the number of green cards available for highly trained employees with STEM educational backgrounds from U.S. institutions, modifying and increasing the number of H-1B Visas available, creating new opportunities for foreign entrepreneurs who are prepared to engage in new commercial enterprises in the United States that will create jobs, and modernizing and extending the EB-5 employment creation visa program.

**Create a Path to Success for Startups and Small Business:** Small businesses have historically been a strong engine for American entrepreneurship and innovative growth. One of the most important things that will help support sustainable growth in this country is stable funding for innovative small businesses and startups. Therefore, it is critical to continue to support programs like the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR), which were reauthorized as part of the National Defense

Authorization Act for Fiscal Year 2012, providing up to \$2 billion in funding each year to high technology small business firms.

**Support Basic Research:** Basic scientific research is essential to America's ability to innovate. Federally funded research conducted at U.S. universities primes the industrial pipeline while also training future generations of scientists and entrepreneurs. We should ensure strong and stable funding of basic research and protect against short-term cuts that jeopardize America's long-term competitiveness. We also should encourage universities to pursue commercialization opportunities to realize some return on that investment.

**Incentivize Research and Development:** Providing strong and predictable support for research and development (R&D) will give greater consistency to America's innovators and promote corporate investment in this vital area, helping solidify the public-private R&D relationship. We should ensure that our laws reflect this goal as one of our nation's top priorities. To that end, we will promote policies and public-private partnerships that keep U.S. innovation closely aligned with U.S. manufacturing – what is researched and developed here should be made here.

**Create an Efficient and Pro-Growth Regulatory Environment:** As President Obama proclaimed through Executive Order in January, our regulatory system must protect public health, safety and our environment while simultaneously promoting economic growth. Since then, the Administration identified ways to streamline government operations that will save businesses billions. By eliminating overly burdensome regulations or combining duplicative rules – like the competing definitions of fiduciary advisors to retirement plans being proposed by the Department of Labor and the Securities Exchange Commission – we will make our government more efficient and allow our businesses to more effectively grow and operate. We also will work to streamline the regulatory process and eliminate or update regulations that no longer meet their intended purpose. Providing agencies with the resources necessary to recruit and retain skilled staff is also important to ensuring the consistent and efficient regulatory environment business needs to prosper.

**Improve Our Technology Infrastructure:** Every citizen, rural or urban, must have access to affordable, high speed broadband. Portions of this country are still in the dark, and it is imperative that we increase the availability of high speed broadband through Universal Service Fund reform, spectrum policy reform, provider and consumer adoption incentives, as well as education efforts. Broadband increases economic opportunity, stimulates local economies, and improves education. Broadband investment ensures that all of our communities have the infrastructure to support 21<sup>st</sup> Century economies.

**Enact Comprehensive Tax Reform:** It is no secret that we have an inefficient and unstable tax code that is in desperate need of reform. Reforming the tax code is imperative to ensuring we remain the most innovative and competitive country in the world. We should align the tax code towards growth, simplicity, equity and efficiency consistent with the New Democrat Coalition's Principles for Comprehensive Tax Reform.

**Promote Life-Long Learning:** Economic expansion is driven by a highly-qualified and skilled workforce. Science, Technology, Engineering and Mathematics (STEM) instruction is critical to our efforts to prepare the workforce of tomorrow to spur innovation. We must expand opportunities for all children, irrespective of gender, race or socio-economic background, to receive training in these critical fields consistent with the New Democrat Coalition's Principles for Fixing the Elementary and Secondary Education Act (ESEA). We must ensure American students receive a world-class education to compete for jobs in the 21<sup>st</sup> century global economy. Providing continuing education and job training opportunities at public and private institutions also is important to ensure today's workforce remains competitive.