OPENING STATEMENT
The Honorable Ben Quayle (R-AZ), Chairman
Subcommittee on Technology and Innovation
Fostering the U.S. Competitive Edge: Examining the Effect of Federal Policies on Competition, Innovation, and Job Growth

March 27, 2012

Good morning, I'd like to welcome everyone to today's hearing, which is being held to examine the effect of Federal policies on U.S. competitiveness and innovation.

Today's discussion is the fourth in a series focused on advancing U.S. innovation in a constrained budget environment, following hearings on cloud computing, startup companies, and principles of effective standards development.

At the Committee on Science, Space, and Technology, we are fortunate that we have the opportunity to influence the Federal government's investments in basic research, which can result in game-changing innovations 10… 20… even 30 years down the line. We also influence Science education policy, helping to ensure our nation's future workforce remains competitive in the global economy.

While these policy areas are vital to U.S. competitiveness and innovation, there are several other policy areas that affect our country's competitive standing.

These areas include taxes, regulation, trade, protection of intellectual property and human capital, among many others. According to House Rule X, Clause 2(c) "Each standing committee shall review and study on a continuing basis the impact or probable impact of tax policies affecting subjects within its jurisdiction..."

As part of carrying out our oversight responsibilities, the Committee reviews laws, programs and Government activities that affect the country's competitiveness and innovation. Therefore, as we hear a range of policy recommendations from our witnesses today, it is imperative that we understand how these many issues affect our nation's economic competitive position.

As of April 1, the United States will have the dubious honor of having the highest marginal corporate income tax in the industrialized world. This tax rate harms competitiveness by taking money away from companies that could be better used to conduct research, develop new innovations and create jobs, and it encourages companies to look for more favorable business environments abroad.

Policy uncertainty can also make private sector business and investment decisions more difficult. For instance, the Research and Development Tax Credit has expired 14 times since it was first authorized under President Reagan in 1981. While the Congress has repeatedly extended this credit, it generally has not done so until the end of each year, adding a layer of uncertainty to company investment decisions.

Excessive regulations and red tape increase the cost of doing business and create uncertainty for private sector companies. A study commissioned by the Small Business Administration in 2008 calculated that small businesses faced annual regulatory costs of $10,585 per employee. In the first three years of the Obama Administration, the Federal Government imposed 106 new major regulations with annual costs of more than $46 billion. By piling on new hoops for employers to jump through, we are simply increasing costs that are passed on to consumers.

Finally, our country's deficit is projected to exceed $1 trillion for the fourth straight year, and our gross national debt exceeds $15 trillion. This fiscal path is unsustainable. It's bad for business, and it is wrong.

Clearly, we must do better.

As policy-makers, we need to foster an environment that allows U.S.-based innovators to compete and to flourish. We should enact policies that ensure this country remains the best place to launch or expand a business.

Today, we will be examining how Federal policies and regulations affect competition, innovation and job growth and we will be hearing recommendations from leaders of innovative companies and technology transfer organizations on ways to improve Federal economic and regulatory policy.

We thank our witnesses for being here today and we look forward to your testimony.