



SPEECH TEXT

**Growing the Innovation Economy:
A New Strategy for A New Prosperity**

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It is a pleasure to be here at the University of California, San Diego to talk about a new American innovation policy. This is the right place to discuss the future because, as your web site says, "Innovation is our Tradition."

And I am delighted to be speaking at the Graduate School of International Relations and Pacific Studies.

Ten years ago, my Yale Law School classmate Paul Tsongas said that America achieved victory in the Cold War, but it was Japan and Germany that actually won.

Their economies were thriving while America seemed to have lost its competitive edge.

During the nineties, we turned that around and led the world in innovation. But now there are signs that we are faltering.

That is why today I want to talk about the Innovation Economy - what we can, and must, do to ensure that America remains the most innovative, competitive, productive, job-creating economy in the world.

I am not a scientist. I am not an engineer. I am not, unfortunately for my mother and father, even a doctor.

So don't count on me to write new software... patent a vaccine to prevent the transmission of SARS... or figure out how an SUV can get 70 miles to the gallon.

But when I am President, you can count on me to give America the winning edge in the global competition for ideas -- ideas that will revolutionize our future and return us to prosperity.

I am running for President to make America strong abroad and strong at home, to keep the American Dream alive for the next generation of our children.

And we will not be strong at home unless we innovate, create jobs and grow our middle class once again.

Innovation comes from our universities, laboratories and private businesses, not from the government. But a government that neglects innovation neglects the economic future of America.

The Administration of George W. Bush has an old economic plan for a new economy. And in so doing, it has let the sparks of innovation fall to the floor. As your President, I will make sure those sparks are kindled into a bigger fire that can make our economy grow again.

By pushing the boundaries of our knowledge -- by challenging and investing in the American people's innovative genius, we can achieve greatness. We can liberate our country from dependence on foreign oil ... find cures for diseases old and new ... create more high-paying jobs ... and give our people the security of knowing their nation is safer from threats at home and abroad.

We can do all of that without an expensive, new government bureaucracy, without big federal mandates or complicated laws and regulations. They're the old way of doing business.

The new path to economic progress in America is innovation.

In the 1990's, innovation drove the greatest expansion of the American economy in history. Advances in technology created whole new industries - and helped create 22 million new jobs for our people.

Productivity is one measure of innovation. But productivity growth is kind of like cholesterol-there are good and bad kinds.

In the 1990s, we had very good productivity growth- and our economy produced jobs at a record rate. That was the good kind. Family incomes increased. The middle class grew.

And the key was innovation. Innovation makes old industries more efficient and new industries possible. When our businesses are innovating, American workers produce more to be exported. Under the leadership of President Clinton, we understood that and we prospered.

But under President Bush's outdated economic policies, America's economic performance has deteriorated.

2.7 million jobs have been lost. Last year, the number of hours that Americans worked fell by its greatest percentage in 10 years.

And the only productivity we're getting is the bad kind. Productivity growth was high last year, but we were losing jobs and wages were falling.

In the first three months of 2003 alone, weekly earnings adjusted for inflation fell 1.5% -- the biggest drop in more than a decade.

It's no surprise that the least innovative economic team in memory is producing the worst innovation record in a generation.

That must change - and when I am President, it will.

Innovation equals income-higher income for America's working families. That is why, as President, I will set a new goal for America: to achieve a steady rate of 3 percent growth productivity each year with incomes rising, not falling, and millions of new jobs created, not lost. Productivity growth of 3% is about 50 percent higher than our 10-year average. But I know we can do it - and we must.

If we achieve that goal, we will double family incomes every generation. That's right.

Double the average American family income each generation.

We will create prosperity. We will put America on the virtuous cycle of continuing growth. And we will grow and uplift the American middle class.

We are a nation of innovators and risk-takers. That is, we thrive on new ideas and have an unshakeable conviction that the future will be better than the past.

That spirit has produced some of the most important innovations and technological achievements of the 20th century. The affordable car, the transistor and the Internet - all these are inventions stamped with the label: "made in America" Imagine what new inventions are to come - through nanotechnology and biotechnology and more. Imagine what new fields of commerce will grow through widespread deployment of broadband Internet access.

Our quality of life, our standard of living, even the way we relate to people around the world, all will change for the better.

For innovation touches every corner of our economy. Technological advancements enable workers and companies do what they do better, faster and more efficiently.

Among the most impressive, New Economy success stories are the farms that produce more and better crops thanks to new production and harvesting technologies ... the auto plants that run faster and safer because workers use computers ...and the companies that harness information to keep supply chains short and profits high.

Innovation will benefit us all - if we have a government in Washington that understands how to leverage it.

In the coming months, I will lay out a comprehensive economic agenda to lead America back to prosperity. Today, I want to talk about one important piece of that plan: how I will ensure that America becomes, once again, the world's most innovative economy.

First, we must lay the foundation for the private sector to produce high-wage jobs.

We need to spur business investment. That's why I will fight for tax credits - investment tax credits for businesses that buy information-technology products and the elimination of capital gains tax for new investments in small companies. Those measures will stimulate the economy, boost innovation, and create jobs.

Government can also spark innovation by directly supporting basic and applied research. Private sector investment in research has plummeted with our economy. Federal investment in R&D is at three-quarters of one percent of our GDP, and falling.

That is why, as President, I will greatly increase long-term, federally-sponsored research and development... double the funding of the National Science Foundation and other key science programs... .and boost support to the promising field of nanotechnology where the smallest of particles can produce the biggest returns for our nation.

Second, we must create the workforce of the future.

In the 1950's, confronted with the Soviet Union's launching of Sputnik into space, we recognized the importance of education to our country's security and our future. We must awaken to that reality once again, with the same sense of urgency.

Today, it's technological know-how - not a small satellite - that circles the globe.

That's why we must equip our people - especially our young people - with the skills they will need to make sure the high-wage, high-tech jobs of the future are filled right here in America.

George W. Bush has sapped our schools of the funding they need to produce a new generation of innovation leaders. That may help him finance his tax cut today... but tomorrow; we'll all pay the price.

As President, I will make the improvement of science and mathematics education in our schools a top priority.

And we will increase the number of college students who study science and engineering... I will expand and fully fund the "Tech Talent" bill I introduced, and which is now the law of the land. And we should provide financial assistance to colleges and universities that establish new programs to attract more science and engineering students.

Founded less than a decade ago, the your own Jacobs School of Engineering has already spawned dozens of companies that have helped build the wireless communications, biotech, software, and electronics hubs here in San Diego. We need more schools like it-and government can help make that happen.

Third, we must make America the world's leader in innovation-- again.

Right now, we trail Japan and Korea on broadband deployment. And we lag behind Finland on highspeed wireless technology. Just as our nation couldn't grow in the 19th century without railroads, and in the 20th century without highways, we cannot grow in the 21st century without the high-speed, wide roads of broadband.

How many people in this room are now carrying with them a cell phone, an iPod, a PDA, or an e-mail device?

How many are using it right now? Why aren't you giving me your full attention?

The students of this graduate school understand how new forms of communication - like wireless gizmos -- can facilitate international commerce. But you also understand, I hope, that international commerce must be free and fair.

Our nation is also lagging behind in the critical semiconductor industry. Manufacturing is moving offshore to countries like China and Taiwan. A recent Pentagon report manufacturing in our critical semiconductor industry is moving offshore to countries like China and Taiwan and that this trend' has affected our ability to produce the technologies we need to defend our nation.

But upon receiving this disturbing report, the Bush Administration simply told the Pentagon's advisors to stop spreading it around.

That's not good enough. We must galvanize America to counter this threat to our security and our economy.

Nor should we permit the wholesale and illegal piracy of intellectual property. This is nothing more than theft - and it must stop. American workers must reap the benefits of their creativity.

It is important to understand that innovation is not just about economic growth - although our economic growth is dependent on our ability to innovate. Let me now give you three examples of new ideas I have offered in recent weeks.

My plan to create a new American Center for Cures will invest \$150 billion in public and private funds over 10 years in innovations that will cure diseases. Right now, 100 million Americans suffer from diseases for which there is no cure - and new deadly illnesses, like SARS, show that there are more threats to conquer. With the right resources and the right leadership, we can do better than just treat diseases - we can cure them.

My commitment to homeland security includes the spawning of new technologies we need to stay safe. I was proud to have proposed the Department of Homeland Security. As President, I will ensure that we have all the high-tech tools needed to keep our hometowns safe and our people secure from chemical, biological, physical or cyber-attacks.

And my Declaration of Energy Independence plan will wean America off foreign oil -- reducing our dependence on foreign oil by nearly two-thirds within 10 years. It will do so not by old-fashioned drilling in the Arctic refuge, but by tapping the innovative genius to create new, clean and fuel-efficient - made in America - sources of energy.

The potential here is great.

We cannot now know how many exciting and life-transforming inventions and creations will result from a sustained, national effort to unleash the innovative capacity of all our people. We cannot even imagine the kinds of jobs we may one day create, or the fundamental ways we may change the look and feel of our homes, our cars, our schools, our offices, our factories, our neighborhoods -- or our nation.

That's why promoting innovation is so exciting to me. And why it is so important for our country.

As I said, I'm no scientist and no engineer. But I am ready to be a President who will ensure that America is the world's premiere innovation economy.

That has been true for much of America's history. With the right leadership, it will be very much a part of America's future as well.

Thank you and God bless you all.