

A group of people, including two women and a man, are gathered around a computer monitor in a meeting room. They appear to be in a collaborative discussion. The background is dark with some faint, illegible text visible, suggesting a professional or technical setting.

American Edge Project:
**Economic Policy Agenda
to Accelerate American
Innovation**

/edge
AMERICAN EDGE PROJECT

FOREWORD

There are many books and movies about America's manufacturing job loss over the last 20 years, but for me, the damage to those communities wasn't just playing out on a page or a screen. It devastated my hometown.

I grew up in Adrian, Michigan, a small community built on manufacturing. Adrian was a strong factory town until policymakers in Washington passed laws that undermined its economic foundation. Over time, like a growing leak in a sinking boat, jobs left our community and many relocated overseas. During those two decades, my home county lost 43 percent of its manufacturing jobs while America lost nearly five million.

People lost paychecks and families struggled, of course, but manufacturing in America wasn't just about how workers made a living. Manufacturing was the thread that ran through every part of the economic and social fabric of our town. When manufacturing left my hometown, we lost more than money. We lost part of our identity. I saw firsthand the painful consequences of what happens when our leaders fail to protect an industry that shapes who we are and facilitates the American dream.

Unfortunately, I'm now watching that story unfold again, this time with American technology. Our national leaders are once again making decisions that could severely weaken a strategically important industry. American technology companies are the envy of the world, but unlike manufacturing, technology is not just a sector of the economy, but the very backbone of our national security, our economy, and the advancement of our democratic values at home and abroad. U.S. technology also generates substantial benefits to women and minority entrepreneurs, helping people connect with new markets and customers, reducing startup and carrying costs, and building generational wealth.

Now, politicians are introducing proposals that would sap innovation's foundation. They want to make it illegal for America's most successful companies to build products that best meet consumer needs. They want to make it harder for American companies to acquire startups. An American company could no longer buy a compelling new European startup, but a large European company - or one from our foreign adversaries - could. They want to force American companies to share data with China-controlled

companies, without requiring these foreign competitors to reciprocate. Some proposals would even dismantle our most innovative technology companies.

Rather than undermining the foundation that has enabled the American technology sector to thrive, we need to make it stronger. That's our goal at the American Edge Project (AEP), a coalition of more than two dozen organizations focused on ensuring that America remains the world's leader in technology and innovation.

In this paper, AEP proposes an economic policy foundation to maintain America's innovation edge. This foundation includes three pillars: 1) strengthening American leadership in innovation policy, 2) promoting dynamism in the tech industry that will strengthen the startup ecosystem, and 3) sharing the benefits of the innovation economy more broadly across geography and demographic groups. By enacting this agenda, policymakers can ensure we will lead the world in innovation for decades to come and further expand the benefits of technology here at home.

This agenda is focused on the future, but as we developed it, I found myself repeatedly returning to a speech more than half a century in the past. When President John F. Kennedy challenged us to put a man on the moon in 1962, he [said](#), "For the eyes of the world now look into space, to the moon and to the planets beyond, and we have vowed that we shall not see it governed by a hostile flag of conquest, but by a banner of freedom and peace." Faced by threats from foreign competitors, he outlined a policy agenda rooted in investment, innovation, smart regulation, and faith in our nation's ability to achieve a goal that seemed nearly impossible. Congress needs to recapture that spirit today.



Doug Kelly
Chief Executive Officer
American Edge Project

Introduction: Innovation as a Core American Value

The history of America is a history of innovation. From being first in flight to developing the world's first supercomputer, the technological innovations that are the bedrock of the lives we live today were seeded and grown in the United States. In America, we transform dreams into realities in labs, and those realities quickly become staples of our households. Technology has been the engine of the American economy, it has fueled improvements in well-being throughout domestic society and beyond, and has strengthened our [national security](#). Innovation is a core American value, and the United States has led the world in innovations that have transformed peoples' standards of living across the entire globe.

This innovation-led success is not an accident. The deep investments we made in innovation in the past delivered the technological advances we enjoy today. Those investments came in many forms: we invested in talent by educating people to become innovative entrepreneurs and by welcoming skilled people from other countries to make America home. We made innovation a national priority by using government funds to support advances in science and technology and to build a higher education system that has set the standard for the world. Our lawmakers and courts created a regulatory foundation that enabled innovators to develop and small businesses to grow.

Public policy in America has historically valued free speech over censorship, the welfare of consumers over the complaints of competitors, and disruptive innovation over bureaucracy and red tape. For decades, the world's leading companies in nearly every sector have hailed from America, hiring millions of employees, and giving businesses both large and small new tools to grow.

The American innovation agenda has been anchored in a bipartisan vision of innovation and its importance, and driven forward by an ambitious set of objectives. President Kennedy put America on a path to the moon, [announcing](#) that "we set sail on this new sea because there is new knowledge to be gained, and new rights to be won, and they must be won and used for the progress of all people." President Ronald Reagan [said](#) that "there are no constraints on the human mind, no walls around the human spirit, no

barriers to our progress except those we ourselves erect,” but he also acknowledged the costs of innovation. “The future doesn’t belong to the fainthearted,” he [said](#). “It belongs to the brave.” American innovation helped us build our manufacturing capacity to beat back the Fascist threat to Europe and the world in World War II. It then guided us through the Cold War, as the United States led an alliance of free countries that stared down a Communist threat and helped unleash an economic engine for America to lead the world.

Since the end of World War II, innovation in America has been spurred by an intentional and deep partnership among government, private businesses, and universities. This “[innovation triangle](#)” led to more research dollars, stronger education of American talent, and a more rapid pipeline from idea to product. The creation of the National Science Foundation, for instance, reflected this governmental commitment to investing in our future.

This commitment to innovation has been so fundamental to our national growth that we now take it for granted. As a nation, we have grown accustomed to leading the world in innovation and to the economic benefits provided by our technology companies. Innovation leadership is so embedded in our culture that it is difficult to imagine a world where American companies are outpaced by foreign competitors, where American national security is jeopardized by rising threats abroad, and where communities throughout America are less connected to other people and markets.

But today, America’s innovation leadership is being challenged. This battle is being fought abroad as well as at home. After moving toward a more globalized world in the wake of the fall of the Soviet Union more than two decades ago, the world is fracturing again, dividing into opposing camps of techno-democracies and techno-autocracies. On one side, there are governments with antagonistic intent and oppressive values who seek to use technologies to control, censor, and surveil. On the other, there are governments that seek to use technologies to empower, earn, and connect. Today, the Internet Freedom agenda is under siege as the Internet Control agenda gathers momentum.

Despite this threat from abroad, U.S. lawmakers are weakening our ability to fight back. Regulators and politicians from both sides of the aisle have introduced proposals that would slow the pace of innovation and give foreign competitors an advantage over

American companies. Government investments in innovation have [decreased](#) as a share of the economy, at the same time as countries like China have dramatically [increased](#) their investments. The companies that make significant research investments in the technologies of our future are being told that they should invest less, reduce their ambition, and confine their creativity to what they do today rather than what they might do tomorrow. America's most innovative and transformative companies are under attack by reformers who mistakenly apply American antitrust concepts, directed at "solutions" for a host of ideological aims.

The solution lies not in destroying the regulatory foundation of innovation in America, but in developing a policy agenda to accelerate innovation and spread its benefits throughout America, including to people that historically have been underserved or disenfranchised, such as women and minorities. We need a vision that spurs entrepreneurship and startup activity, but also recognizes that the most critical and transformative investments in innovation have often come from our largest companies. We need a vision that lays the groundwork for future innovation leaders without undermining innovation today. We need a vision for innovation policy that balances internet freedom and internet regulation to ensure we realize the internet's immense potential benefits while mitigating its most harmful costs.

A policy agenda for accelerating American innovation should be rooted in three objectives: to strengthen American leadership in innovation policy, to promote dynamism in the tech sector that will strengthen the startup ecosystem, and to share the benefits of the innovation economy more broadly across the country. The pillars of this innovation agenda do not break with our past – they build on it to create a path to a healthier innovation economy in our future.

By embarking on this path, we can distance ourselves from the dynamics that divide us and instead focus once again on common aspirations, interests, and good that unites us. All Americans should share in the prosperity and peace that innovation provides.

Pillar One: Strengthen American Leadership in Innovation Policy

An agenda to accelerate innovation must start with a commitment to strengthen American leadership in innovation policy. America’s historical leadership in technological innovation is no accident – the regulatory regime in the United States has made it possible for entrepreneurs and investors to raise capital and to take risks, for products to reach new potential customers, and for new business models to take hold.

A significant percentage of startups in the world are [based](#) in America, and the list of “unicorns” – those worth \$1 billion or more – is heavily [populated](#) by American firms. America [leads](#) the world in venture capital investment. It has nearly five times the level of investment of second-ranked China, more than eight times the level of investment of third-ranked United Kingdom, and more than 30 times the investment of tenth-ranked Singapore.

Yet China is quickly closing this gap. Since 2015, China has launched a series of bold strategies to overtake the United States, including “Made in China 2025” to upgrade China’s manufacturing and an “Internet Plus Plan” to transform China’s economy through an all-digital strategy. The startup [rate](#) in China is nearly 20 percent, compared to about 10 percent in the United States. China ranks second in venture capital investment and second in the number of unicorns. Huawei now [ranks](#) fifth on the list of companies receiving U.S. patents. China is also investing heavily in future technologies, including a plan to become the world leader in [artificial intelligence](#) by 2030. As the world’s leading techno-autocracy, China’s Communist Party recently moved to reassert state control over its technology sector, but the fact remains that China continues to invest deeply in its technology sector, and China’s innovation economy is growing stronger.

Americans are concerned about China’s growing threat. According to an American Edge Project (AEP)-Ipsos [poll](#), 81 percent of registered voters agree “it is dangerous for the U.S. to fall behind countries like China, Russia, and Iran when it comes to technology,” and 73 percent agree “we cannot allow Chinese companies to become more influential in the technology sector.” More than 60 percent of registered voters believe that

“Chinese companies will surpass American companies as the world’s technology leaders if we don’t do something soon.” As President Biden recently [warned](#), “*China, before the year 2035, is going to own America, because autocracies can make quick decisions.*” To keep pace, America must act now.

Policymakers should consider five areas that are critical to advancing American leadership in innovation policy, which requires making deep investments in technology, taking action against national security threats, promoting the free flow of data, assessing the costs and benefits of antitrust reform for American competitiveness, and modernizing supply chains. The following are core policy elements that will help achieve this goal.

Boost Research and Development Spending for our Universities and Research Institutions, With a Focus on Emerging and Strategic Technologies.

The U.S. government should significantly increase its investment in research in emerging and strategic technologies namely artificial intelligence (AI), 5G, semiconductors, virtual reality, cyber-defense, and quantum computing. In the 1960s, when President Kennedy focused the nation on landing an astronaut on the moon, he recognized that achieving this objective would require deep government investment. He [referred](#) to the investment as a “staggering sum,” but also recognized the investment was necessary to achieve the objective. “We must pay what needs to be paid,” he [said](#). At that time, federal research and development (R&D) spending was 1.9 percent of gross domestic product (GDP). Today, it [stands](#) at roughly [0.6 percent](#).

America’s status as the global leader in R&D spending is slipping. In the mid-1990s, the United States was responsible for nearly 40 percent of the world’s total R&D spending, but that share has [decreased](#) to only 30 percent today. During that same time, China’s share has [increased](#) dramatically, from less than five to 25 percent. As a percentage of GDP, China’s R&D spending has more than [tripled](#) since 1991, from 0.7 percent in 1991 to 2.2 percent in 2019.

This data would be even worse if not for a significant increase in U.S. business research spending. The private sector has been the primary [source](#) of R&D spending since 1980

and represented 71 percent of total R&D spending in 2019. Unsurprisingly, much of this spending comes from larger tech companies, which have the scale and resources to invest heavily in research and emerging technologies. In AI, for instance, Microsoft, Google, and IBM [rank](#) in the top 10 in papers published in AI conferences, and AT&T, Meta, and Adobe are in the top 50. No foreign firms are on the list. To maintain American leadership in innovation, the government must allow our larger tech companies to continue to invest in research, which can require enormous capital and time before yielding viable products.

American leadership is not just a matter of which country stands to gain from the economic value created by these technologies, but is also a matter of national security. As AEP [wrote](#) in its national security policy framework in February 2021, “If the U.S. loses its leadership role in technology, there will be long-term consequences for national security, the global economy, standard setting, and international norms.” Ceding technological leadership to powerful foreign companies would increase the risk of cybersecurity threats for American citizens and companies because storing more data abroad will likely make it easier for foreign law enforcement agencies to access U.S. citizen user data. Pushing this data offshore will also make it more difficult for U.S. law enforcement agencies to obtain data that will help them to pursue criminal investigations.

Other countries are investing billions of dollars in new technologies such as AI. A recent Atlantic Council report [stated](#) that, “Supremacy in AI technologies has become a key aspect of strategic competition between China and the United States” and noted that, “President Xi Jinping has made achieving global leadership in AI by 2030 central to building China into a ‘modern socialist power.’” The Atlantic Council has also [detailed](#) that U.S. policymakers ought to maintain awareness of China’s activities to influence the institutions that set standards in the technology sector.

Keeping pace means that the U.S. government should match this R&D investment and develop a comprehensive plan to invest in American research and talent. As the Atlantic Council [stated](#), “To avoid making the same mistakes as China in seeking to gain technology leadership by influencing Standards Development Organizations (SDOs), U.S. strategy should focus on increased government investment in U.S. technology to support domestic innovation and the development of high-quality products suited to become the international standard.”

U.S. investment should include funding for research in emerging technologies by our universities and other research institutions, the creation of interagency task forces in the federal government to develop recommendations to strengthen America's competitive position in emerging technologies, and reducing barriers to private sector investment in these technologies.

Prohibit Foreign Activity That Threatens National Security.

The U.S. government should use evidence-based analysis to determine which foreign transactions and foreign companies should be prohibited because they pose a significant threat to national security. For instance, if a business is closely linked to a hostile foreign state and if permitting that business to engage in economic activity in the United States is likely to pose a national security threat, then the U.S. government should not permit that business to engage in that activity.

Prohibitions should be enacted only when there is a good-faith basis for believing that specific business activity will pose a legitimate national security risk and should not be employed as a protectionist guise to avoid competition with foreign firms. The U.S. government should develop objective criteria to delineate between legitimate business activity that benefits American citizens and problematic activity that poses a security risk.

Several policy instruments have been deployed in recent years that could help the government to make these determinations. The Trump Administration's "Securing the Information and Communications Technology and Services Supply Chain" [Executive Order](#), for instance, was designed to establish a process for identifying and restricting problematic transactions by foreign firms. Similarly, the Biden Administration [issued](#) an Executive Order on "Protecting Americans' Sensitive Data from Foreign Adversaries," which seeks to use evidence-based analysis to achieve a similar objective. The government should continue the process of implementing these regulations, using clear criteria to govern their decisions, and being transparent about the determinations they make and the basis for those decisions.

Maintain the Free Flow of Information Across Borders.

The free flow of information is a core principle of internet freedom. A truly global internet requires data to be able to flow across borders; as data becomes increasingly restricted in transiting national boundaries, the internet will inevitably become more siloed and nationalized. More than [95 percent](#) of registered voters believe that an open and accessible internet is important to freedom of expression.

Ensuring the free flow of data requires policymakers to make new policy, while also avoiding pursuing certain harmful regulatory options. These steps are necessary to avoid devolving into a “splinternet,” where the global internet is transformed into a national one.

First, the United States and Europe must develop a stable basis for transferring data across the Atlantic. In the wake of [litigation](#) in Europe that called into question the legitimacy of data transfers from Europe to the United States, companies have struggled to find the certainty they need to engage in transatlantic business operations. More than [5,000](#) U.S. businesses relied on the preexisting regulatory framework to ensure that data transfers were consistent with European Union (EU) data protection rules. Without this basis, there is tremendous uncertainty about how they can ensure that data transfers are lawful, and many smaller companies face daunting compliance costs as they seek to set up business operations that do not create burdensome legal risks.

To facilitate the flow of data between the United States and Europe, the two governments must reach an agreement to provide an enduring resolution to this issue. According to an AEP-Ipsos [poll](#), more than 80 percent of voters in the United States and Europe agree that “the EU and the U.S. should work together to preserve the economy, national security, and other benefits of today’s internet and related technology.” The recent [announcement](#) of a new Privacy Shield deal is encouraging, and the United States and Europe should continue to work together to ensure that there is a stable basis for transferring data across the Atlantic.

Second, governments should avoid mandating that companies store data locally. It has become routine for [governments](#) to pressure tech companies to store at least some user data locally. Foreign leaders claim that local data storage is a matter of [sovereignty](#), making it easier for them to govern their citizens. But these arguments are often a thinly

veiled attempt to enhance domestic surveillance, and they often force companies to deploy storage models that make their services slower and less secure. Companies should be permitted to determine where data is stored based on optimizing the user experience.

Third, governments should not mandate that foreign companies establish local joint ventures as a condition of offering their services. These requirements are [routine](#) in China, where foreign countries often must work through a local partner, share revenue with this domestic partner, and ensure that there are domestic employees who are available to respond to government requests. Joint ventures also assist Chinese companies in [appropriating](#) U.S. intellectual property. Joint venture requirements increase costs —likely to be passed to consumers or cut into investment— and make it harder for businesses to operate.

Fourth and finally, governments should avoid industrial policy that protects national champions while discriminating against competition from foreign firms. For instance, Europe's [Digital Services Act](#) and [Digital Markets Act](#) will likely make it more difficult for large, successful American companies to compete in Europe, and even make it more difficult for them to compete with European companies in the United States, giving an advantage to European domestic competitors relative to American companies. The [announcement](#) of a deal on the Digital Markets Act – and [statements](#) that it will go into effect as early as the [end](#) of 2022 – suggest a troubling future for American firms seeking to offer innovative services in Europe. While the agreement may benefit European companies as they strive to compete with U.S. technology firms, it threatens to undermine basic features of online services that benefit consumers, including the availability of low-cost, ad-supported services. Secretary of Commerce Gina Raimondo [expressed](#) “serious concerns” that the proposals would “disproportionately impact” American tech companies. Open competition between companies — independent of national origin — is more likely to yield innovative, high-quality, low-cost services.

To maintain the free flow of information across borders, U.S. policymakers should demand that their foreign counterparts adhere to international trade norms, avoid localization or joint venture requirements, and not use antitrust enforcement as a guise for protectionism.

Assess the Costs and Benefits of Antitrust Reform to Understand its Impact on National Security and American Competitiveness.

Before proceeding with sweeping antitrust reform, policymakers should conduct cost-benefit analyses to better understand the impact of the proposals on national security and competitiveness. For instance, proposals that would prohibit Big Tech companies from acquiring companies in Europe and Asia will impose restraints on some of America's most successful businesses, while leaving Russian and Chinese companies free to pursue acquisitions that will help them to build more competitive products. The consumer welfare standard has historically been used to ensure that antitrust enforcement leads to products and services of high quality and low costs. Regulators should not deviate from this approach.

Similarly, requiring Big Tech companies to share data with Russian and Chinese companies – while not requiring Russian and Chinese companies to share data with American firms – will put Americans' data at risk. It is perhaps not surprising that Europe has included these [requirements](#) in the Digital Markets Act, since it is less concerned about U.S. national security and the security of U.S. citizens' data. That U.S. policymakers would follow Europe's lead and introduce legislative proposals with these requirements is more concerning.

Other proposals would prevent American companies from optimizing their products for consumers, such as by providing customized search results or by making their apps easy to find in their app stores. These restrictions will make it harder for some of America's most successful companies to compete and innovate while leaving foreign companies free to optimize their products to meet users' needs.

Instead, companies should be able to offer portability and interoperability options that do not weaken user privacy, safety, or security. These options should include using established industry mechanisms for transferring data, such as the protocols established through the [Data Transfer Project](#). Policymakers should seek feedback from the Data Transfer Project on the best practices for establishing secure, private transfers and use this data on potential risks and rewards when developing cost-benefit analyses of portability policy proposals.

More generally, policymakers should not institute widespread reforms while several major antitrust cases are still pending. These cases will enable us to learn more about the tech market and will help inform assessments of the potential costs and benefits of various legislative proposals.

Ensure the Resiliency of Supply Chains.

Just as we need to ensure the free flow of data across borders, we also need to protect the flow of goods. [Bottlenecks](#) in global supply chains are causing goods to move slowly across borders, which has led to product shortages and rising costs. Policymakers should reduce regulatory inefficiencies that slow down imports while avoiding responding to supply chain slowdowns with protectionist policies that may further impede the global movement of goods. Imposing unwarranted restraints on tech companies with successful logistics operations will likely exacerbate current challenges.

The Biden Administration has [conducted](#) reviews of the supply chain challenges and developed recommendations for addressing them, including establishing new organizations within government to increase the attention and resources devoted to this issue. In the months ahead, it is critical to move from this institutional phase of government restructuring to ensuring that adequate resources are deployed to start to make progress in breaking down barriers in the global movement of goods.

Government spending should prioritize investments in modernizing infrastructure that is critical to the supply chain, such as ports and rail networks. China has been [making](#) these sorts of investments as part of its Belt and Road Initiative. To continue to compete, America must match these investments with our own.

The disruptions in our supply chains may tempt policymakers to consider protectionist policies, such as requiring data localization or increasing tariffs on competing foreign products in an attempt to protect domestic industry. Such approaches are [short sighted](#), as they will further impede efficiency in supply chains that will further delay the delivery of products to consumers. Instead, policymakers should focus on promoting trade efficiency and investing in the infrastructure that will make it easier for goods to move from producers to consumers. The government should not introduce new regulations

that would make it harder for the private sector to use their logistical tools to keep prices [low](#) for consumers.

Pillar Two: Promote Dynamism in the Tech Sector That Will Strengthen the Startup Ecosystem.

New technologies, new business models, and new products emerge when there is a culture and public policy foundation that encourages experimentation and tolerates failure. Dynamic economies avoid protecting powerful legacy industries and interests at the expense of consumers, and avoid imposing excessive costs and bureaucratic burdens that would unduly inhibit creativity.

To accelerate innovation, public policy must support this dynamism and ensure a regulatory landscape that will help start and grow new companies. An AEP-Ipsos [poll](#) found that more than 80 percent of registered voters believe that U.S. tech companies connect small businesses to the global marketplace, connect small businesses to new opportunities, and make it easier to grow a small business. Accordingly, a policy agenda that accelerates innovation should make it easier for new businesses to access capital, support new business models, and give government agencies the tools they need to act when there is evidence of harmful conduct that hurts competition. The following are core policy elements that will help achieve this goal.

Make it Easier for New Businesses to Access Capital.

The foundation of the startup ecosystem is access to capital. Without capital, ideas are only ideas, and talent is untapped. Capital is the force that [enables](#) talent to transform ideas into products and services, and to create the new technologies and tools that serve as the engines of our economy. The success of Microsoft's PowerPoint and Google's YouTube [resulted](#) in part from the infusion of capital into smaller businesses, for example.

The possibility of future substantial investment returns is the driving force behind access to capital for entrepreneurs and startups. A startup secures investment based on the possibility of exit at some future point that yields large returns for the investor.

Currently, in the United States, getting acquired by another company is the primary path to exit, [58 percent](#) of startup founders aim to get acquired by a larger company, whereas only 17 percent want to go public via an initial public offering (IPO). According to an AEP-Ipsos [poll](#), more than 75 percent of registered voters believe that when technology companies acquire startups, they provide capital that allows the business to scale quickly.

If new [policy proposals](#) become law, one compelling route to acquisition will no longer exist: acquisition by Big Tech companies. These proposals would prohibit almost any acquisition by large tech platforms, even those with benefits to users that outweigh any potential costs. Taking this exit route off the table will make investors less likely to invest in startups throughout America, whether they're in Silicon Valley or in regional tech hubs such as Raleigh, Richmond, Columbus, or Charleston. Even when acquisitions of smaller companies do occur, the price will likely be depressed, as some of the most well-resourced bidders won't be able to pursue acquisition. Instead, investors will be more likely to invest in [foreign firms](#) that don't face the same domestic headwinds.

This prohibitive approach would severely reduce the incentives and ability of entrepreneurs to start and grow the next generation of great American companies. Rather than trying to take a swipe at Big Tech that will end up crippling small businesses and the startup ecosystem, policymakers should support the existing standards that govern merger policy in the United States and protect competition while allowing startups to access necessary capital from larger investors.

Policymakers should also seek to incentivize additional spending on innovation through tax credits and direct investments, focusing particularly on women and minority-led startups. For example, the federal government should promote expanded diversity in federal contracting both by prioritizing minority and women-owned vendors for larger federal contracts and by prioritizing small businesses and minority and women-owned businesses for state and local funding opportunities. Every year, [90,000 state and local jurisdictions spend more than \\$120 billion annually on information technology \(IT\) products and services](#), including cybersecurity, broadband connectivity, infrastructure modernization, and business process automation. The opportunity to do business with federal, state, and local governments has the potential to accelerate the growth of American small businesses, especially those focused on technical services and innovation.

Policymakers should also consider expanding the Research and Experimentation Tax Credit, such as by increasing the size of the tax credit for small businesses or by providing more information to small businesses about the program. They should also increase federal spending on applied technology research.

Support New Business Models.

Government policy should focus on empowering entrepreneurs to start new businesses and to develop new technologies, products, and business models. At the same time, governments should avoid using policy to protect old business models or favored industries at the expense of new products that benefit consumers. To support new business models, governments should adhere to four key policy principles.

First, competition policy should be used to promote consumer welfare rather than protecting competitors. There are now numerous proposals to reform competition policy to protect individual competitors, even at the expense of consumers, by imposing line of business restrictions and nondiscrimination principles that will restrict companies' ability to optimize the product experience for users. It might be good for Amazon's competitors if Amazon was no longer able to offer Prime shipping on certain products. And, it may be good for Google's competitors if the company is restricted from bundling contact information, a reservation link, and directions when you search for a nearby restaurant; however, these restrictions would provide less value to consumers. According to an AEP-Ipsos [poll](#), more than 80 percent of registered voters in frontline districts are concerned that these sorts of proposals could hurt small businesses by forcing them to buy into other platforms to reach consumers and increasing the cost of advertising. A [majority](#) say they could not vote for a candidate who supports regulation that limits access to services like Amazon Prime, Google, Facebook, and Instagram.

Some critics of this standard have alleged that the concept of consumer welfare is limited to considerations of price, suggesting that antitrust law today is blind to any harm to consumers except for an increase in price. But this allegation misstates [current law](#), ignoring key [aspects](#) of the concept of consumer harm. Beyond price, consumer harm also accounts for harm to quality and innovation, such as when anticompetitive practices result in a product that has degraded over time to offer fewer features.

Current law takes a holistic view of the welfare of consumers that can be applied when there is evidence of anticompetitive conduct in antitrust markets. Re-engineering competition policy to depart from this focus on consumers and instead emphasize harm to competitors will slow the pace of innovation and make it more difficult for businesses to deliver valuable products and services.

Second, enforcement decisions by antitrust agencies should avoid subjective biases and [politicization](#). Instead, they should be rooted in objective evidence of consumer harm. Grounding enforcement in objective evidence will help to avoid enforcers abusing antitrust as a powerful tool to reward political interests and punish opponents. Harm should not be assumed based on the size of a company; instead, the government should bear the burden of marshaling evidence to show that anticompetitive behavior will harm consumers. Grounding policymaking in objective evidence may also help to minimize the potential for biased decision-making.

Third, governments should not attempt to impose prescriptive product requirements that result in bureaucrats serving as product designers. Some governments are now considering policy proposals that prescribe detailed product features and supplant consumer product preferences for their own. Europe's Digital Markets Act would impose specific [restrictions](#) on product functionality, including potentially [eroding](#) privacy safeguards in messaging and other products. But governments are not well-positioned to identify the product features that will make tech services compelling for users. They may be prone, for example, to make decisions based on political considerations or that prioritize certain influential businesses and industries over others.

Fourth, regulators should ensure that tech regulation minimizes compliance burdens, particularly for smaller businesses. [Small businesses](#) are likely to struggle to hire large teams of compliance lawyers or to be able to bear the risk of significant litigation fees if they are forced to routinely appear in court. Requiring businesses to submit extensive documentation to legislative committees or enforcement agencies in order to run core components of their businesses will make it difficult for smaller businesses to compete. Despite these considerations, the Federal Trade Commission (FTC) recently [stripped](#) language about avoiding "unduly burdening legitimate business activity" from its strategic plan. Instead, policymakers should ensure that legal obligations are clear, that businesses have certainty about the line between permissible and impermissible

conduct, and that agencies consider costs as a factor in their enforcement and regulatory decisions.

Give Government Agencies the Tools Needed to Take Action When There is Evidence of Harmful Conduct That Hurts Competition.

Governments play a vital role in preserving and protecting dynamism in the economy. When there is strong economic evidence of harm to consumers, governments should take action to ensure the tech market remains dynamic and competitive.

To ensure enforcement agencies are able to act when there is evidence of harm, they must have sufficient resources to investigate, litigate, and remedy anticompetitive practices. Policymakers have [proposed](#) increases to funding for the antitrust teams at the FTC and the Department of Justice (DOJ). Congress should provide these agencies with the resources they need, subject to regular and appropriate congressional oversight and to a commitment from the agencies to promote transparency and to adhere to the rule of law.

In particular, antitrust agencies should regularly explain in writing the basis for their enforcement and non-enforcement decisions, and conduct and publicize [retrospective analyses](#) on significant acquisitions. This [transparency](#) will bolster enforcers' credibility by providing a more detailed public rationale to support their decision-making. It will also help to signal to other regulators where it may make sense to act and where enforcement might not be justified. In addition, this type of transparency will establish a stronger historical record that might provide a useful guide for enforcers in the future. In some cases, such a record might be helpful to illuminate gaps in past decision-making.

Pillar Three: Share the Benefits of the Innovation Economy More Broadly.

A policy agenda for accelerating American innovation should ensure the benefits of innovation spread more broadly across America and the economy. Despite critics'

allegations that innovation benefits primarily wealthy Americans, the data tells a different story: the average person gains roughly [\\$32,000 in value](#) from free online services and more than 70 percent of people who make less than \$30,000 a year [use](#) Facebook and YouTube.

Yet, we can do better. To ensure the benefits of innovation are shared more widely across American society and all of its regions and communities, policymakers should promote access to the internet and tech services, develop new innovation hubs in communities throughout America, and invest in building future generations of tech talent.

Promote Access.

Families and communities cannot reap the benefits of the internet if they are unable to access it, as such, closing the digital divide should be the cornerstone of any new innovation policy. Governments should promote broadband access for rural communities and broadband affordability for urban communities. They may also need to design different solutions to bring rural and urban [communities](#) online, such as focusing on deploying internet infrastructure in rural communities and increasing affordability and demand in urban areas. [Digital equity and inclusion](#) should be a priority, aiming to ensure that historically marginalized groups like women and minorities have greater access to the digital economy.

Policymakers should also take steps to promote access to critical technologies. During the pandemic, essential online services helped ensure children could continue to attend school, people could continue to receive physical and mental health care, and workers in certain fields were able to continue to their jobs by working remotely. They should also create incentives for small and medium-sized businesses to invest in new digital tools and services by implementing a digital innovation tax credit to help them manage the transition to a more remote, digital economy.

Policymakers should reduce regulatory [barriers](#) to telework, telehealth, and online education, making it possible for more people to benefit from online service delivery, for more families to balance work and family responsibilities, and for tech expertise and resources to spread to communities throughout America. Telemedicine has proven to be important in delivering [service](#) to people who may historically have found it to be

difficult to access healthcare. In places where governments [instituted temporary](#) regulatory reprieve during the pandemic to facilitate remote service, they should consider making these policy changes permanent. Similarly, companies should [embrace](#) flexible approaches to remote work when possible.

Create New Innovation Hubs Throughout America.

Historically, innovation in America has been concentrated in a few small areas, such as Silicon Valley in California. A new innovation agenda should spread the benefits of innovation geographically so that communities throughout the country can share in the value it creates. Policy should focus on supporting innovation hubs in communities that are marginalized and have traditionally been excluded from the economic rewards of the innovation economy. Policies should support [existing hubs](#) while also incentivizing the creation of new hubs in communities that don't currently have them.

For instance, tech companies should receive incentives to locate offices, data centers, and remote talent in communities that have suffered economic hardship because of the decline of manufacturing and the movement of jobs overseas. Companies might also receive incentives for "reshoring" jobs when they [bring](#) high-paying jobs to hard-hit communities.

Congress should also consider establishing public-private funds to invest in small business innovation in minority communities and to invest in women-owned businesses. This model was the basis of the [New Business Preservation Act](#), which was introduced in March 2020 and received the support of organizations like the Small Business Majority, Center for American Entrepreneurship, and Economic Innovation Group.

Invest in America's Tech Talent.

Broadening and deepening the tech talent pool will help spread the benefits of the innovation economy throughout American society. Policymakers should invest in adult education and workforce retraining so that people who work in disrupted industries can build new talents and find new jobs. The government should also invest in academic research into how the labor market may shift in response to emerging technologies, automation, and the COVID pandemic. Policymakers can then use that research to

create retraining and education programs that are tailored to address anticipated changes in the labor market, particularly those that impact women, minorities, and similar communities.

Congress should expand family leave policy so that a more [diverse](#) workforce can participate in and benefit from the digital economy. Expanded leave should include not only longer periods of paid maternity leave, but also an equitable paternity leave, which has been [shown](#) to provide important support to mothers and to improve childrens' developmental outcomes. Family-friendly work policies became and remained increasingly important during the pandemic, when many people struggled to find childcare and juggle work-life responsibilities or when children were attending school remotely alongside parents working from home.

Policymakers should make new investments in science, technology, engineering, and mathematics (STEM) education. For instance, state and local governments could fund community coding games to develop a farm-team of future programmers. These community programmers can then get plugged into internships and career opportunities with local and tech companies. These types of coding "boot camps" now exist throughout the country, from [Ohio](#) to [North Carolina](#) to [Florida](#). More government investment could make these educational opportunities available in more communities, including more rural areas and communities that aren't located near a university. Government programs should target STEM education for women and minorities. Increasing tuition assistance would help to make these programs available to more people.

America's STEM investment should include not only a more robust STEM curriculum for students, but also investment in STEM education for teachers. In the United States, the teachers responsible for the STEM curriculum often [lack](#) formal STEM training, as many graduated with degrees in general education rather than STEM fields. Providing specialized training for these teachers would improve the quality of STEM education for students today and in the future as teachers could keep pace with new developments in the disciplines.

The final component of investing in tech talent in the United States is ensuring that foreign students educated here are able to stay in the country after graduating in a STEM field. Forcing them to return to their home countries after being educated by U.S.

institutions means that we are making a talent investment that we do not recoup. Instead of compelling STEM-educated students to leave the country after dedicating resources to educating them, we should invite them to stay for several additional years to conduct STEM-related work here at U.S. institutions and companies. Several other countries [provide](#) this type of visa to keep talented workers from taking their skills abroad, but the United States does not. One option is to pass the [Let Immigrants Kickstart Employment \(LIKE\) Act](#), which would provide a temporary visa to startup founders and a potential route to lawful permanent residence if the startup succeeds.

CONCLUSION

To ensure America retains its leadership position in technology, we need an economic policy agenda that accelerates innovation. We should ensure that our most innovative companies can outcompete their foreign competitors, that regulation encourages economic dynamism that allows startups and small businesses to flourish, and that benefits of the innovation economy are shared throughout the American economy, with all Americans. With these pillars in place, we will ensure America's history of innovation leadership does not only define our past, but also provides the foundation for our sustained and long-term innovation leadership in the future.

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This policy framework, “An Economic Policy Agenda to Accelerate Innovation,” was published by the American Edge Project along with the following authors and supporters.

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