

American Edge Project:

Unleashing American Innovation: A Policy Roadmap To Win The Global Tech Race

/edge

AMERICAN EDGE PROJECT

EXECUTIVE SUMMARY

The United States is synonymous with innovation and economic opportunity. From the light bulb to the internet, American ingenuity has consistently set the standard for global technological progress. The idea of innovation is intertwined with American geography, with regions like Silicon Valley once defining the field and now inspiring [innovation](#) ecosystems from coast to coast. Silicon Alley in New York, Research Triangle Park in North Carolina, the Route 128 Corridor in the Boston area, Silicon Hills in Austin, the Dulles Corridor in Northern Virginia and now an emerging Silicon Heartland in the Midwest all stand as testament to the culture of innovation that defines our country.

This culture of innovation is a critical driving force for American prosperity and well-being. American tech firms are the most innovative in the world. They play a vital role in our national security while producing [enormous economic value](#). In fact, [according to McKinsey](#), productivity growth for U.S. innovation industries has more than doubled the rate of all other sectors. American tech is also the great equalizer, with its services and products benefiting millions of people from [diverse economic, educational and demographic backgrounds](#), often at no out-of-pocket cost to them.

Threats To American Technology Leadership

But dire threats loom from many quarters. China¹ is challenging America's leadership position in innovation, outlining a [vision to lead the world in artificial intelligence \(AI\) by 2030](#), and it has attempted to realize this vision through massive [investments](#) in the field. If it succeeds, it will impose its own culture of censorship and surveillance on the premier technologies of the future.

Threats also come from within our borders and even from our closest allies. Some politicians in the European Union (EU) and the U.S. Congress perceive America's innovation success as a domestic threat and have proposed legislation that would severely undermine American ingenuity. A flurry of activity by state legislatures has created a patchwork of legal requirements that stands as a compliance minefield for tech companies and other industries. Lastly, the Federal Trade Commission (FTC) has

In the global tech race, only one country – America or China – will emerge as the undisputed leader. It matters greatly which country – and which set of values – builds the future.

¹ Our critique of China in this paper is directed solely at the leadership of the Chinese Communist Party (CCP) and not the Chinese people, for whom we have a deep respect and admiration, and whose voices are rarely reflected in CCP policy and actions.

become increasingly politicized, and its misguided maneuvers in over-regulating American innovation will harm consumers.

The Urgency And Importance Of This Moment

As the world stands on the brink of a new era marked by tremendous opportunity in the technology industry, and in virtually every other industry that relies on technology, the upcoming 2024 presidential election is a critical fork in the road. When the American Edge Project (AEP) first released our economic policy vision more than two years ago, the stakes were high, but the most critical decisions seemed far off in the future.

But with the 2024 general election just a few months away, those decisions are now upon us. Will we decide to hew close to our roots, and ensure that our public policy provides the foundation that allows entrepreneurship to flourish? Or will we stamp out that potential, instead choosing to exert growing government control over the industry that has been the lifeblood of the American economy?

The innovation of tomorrow will be determined by the decisions we make today. American policymakers (and those in Europe) need to get it right, because only one country – America or China – will end up being the global tech leader, and it matters immensely which country – and which set of values – builds the future.

This policy paper outlines an economic policy agenda that will secure America's innovation future. It retains the three pillars of our prior work in this area: 1) establishing geopolitical leadership through technological leadership, 2) promoting dynamism in the innovation sector that will strengthen the startup ecosystem and 3) sharing the benefits of the innovation economy more broadly. Taken together, these three pillars are the keys to ensuring that America maintains its position as the global leader in innovation. The stakes are high, and the challenges are formidable, but with the right regulatory framework in place, American ingenuity will flourish.

Pillar One: Establishing Geopolitical Leadership Through Technological Leadership

The rise of China as a formidable technological competitor has ushered in a new threat to America's longstanding position as the global leader in innovation. This U.S.-China tech competition will define not only whether the leading companies in our future tech sector are American or Chinese, but it will also shape the underlying values experienced online for billions of people across the globe. Will our online worlds reflect America's commitment to openness, accessibility, expression and freedom, or will they espouse the values of the CCP, which is closed, censoring and controlling, including allowing widespread government access to its citizens' private data to coerce desired behavior?

In the face of these global dynamics and with Americans deeply concerned about the rise of a more authoritarian internet, America's continued leadership in technology is paramount. An [overwhelming number](#) of U.S. and EU voters (81 percent and 74 percent respectively) believe the growing technological influence of China and Russia threatens both American and European national security.

To maintain our technological leadership and counter the rise of our adversaries, policymakers must avoid passing short-sighted legislation that undermines America's innovation industry. At the same time, lawmakers should implement a proactive policy agenda in five core areas to help America maintain its leadership position in innovation. The five keys to establishing geopolitical leadership through technology leadership include: 1) ensuring America wins the tech competition with China, 2) preventing domestic and foreign regulatory overreach, 3) empowering American companies to compete globally, 4) strengthening our supply chain and 5) protecting our digital infrastructure.

China has a three-part plan to usurp America as global tech leader: 1) invest trillions in its own tech capabilities, 2) steal as much Western tech as possible to accelerate its success and 3) make the West increasingly dependent on Chinese technology to give it economic and geopolitical leverage.

Ensure That America Wins The U.S.-China Tech Competition

Regardless of the 2024 electoral results, the principal focus of an economic agenda to promote American innovation must be to ensure America prevails in the tech competition it is currently waging against China. Though this effort will largely be driven by America's private sector companies, the U.S. government plays a critical role across multiple fronts.

For starters, the government should make deep investments in research and development (R&D) to accelerate the pace of innovation. As we noted in our last economic policy agenda, 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 percent to now 25 percent. To win the U.S.-China tech competition, we must set the pace.

To do so, the government should invest in R&D that will fuel the great American companies of tomorrow. The government should also review its funding operations to accelerate the timeline from application submission to funding receipt. Export controls are vital as well, but overly restrictive ones could hinder Western companies from partnering globally and accessing international talent and markets.

Moreover, the government should also revisit the U.S. Trade Representative's (USTR) repeated and expanding efforts [to walk away](#) from digital trade proposals that are pivotal to ensuring that America remains the world's leader in innovation. Since the founding of the internet, the USTR has promoted digital trade proposals in line with American values and economic interests, including prohibiting countries from imposing software source code transfer requirements, supporting the free flow of information across borders and highlighting the pitfalls of data localization requirements that force U.S. companies to store user data overseas. The USTR's policy reversal hands a victory to China, which champions restrictions on data flows, [steals \\$500 billion annually](#) of U.S. technology and intellectual property and opposes democracy in digital spaces. These aren't just abstract policy differences – they are the essence of America's digital leadership.

U.S. policy leaders should collaborate closely with its partners throughout the world – including the United Kingdom (UK), Europe and India – to promote global technology standards and norms that will advantage democracies over authoritarian regimes. The UK's decision to [invite China](#) to attend a summit on AI governance stands as a troubling example of global alliances gone awry. In 2023, [Freedom House](#) named China "the world's worst abuser of internet freedom for the ninth consecutive year." A country with that record does not merit a seat at the table.

Governments should work together to form future governance frameworks that promote openness and democratic ideals, rather than seek input from governments known for censorship or for their problematic record on human rights, who actively seek to overturn Western-led global governance frameworks and who use their control and influence over their own social media companies to vacuum data on people around the globe. Democracies should work together to implement regulatory frameworks that support innovation, rather than giving credence to polices

that will cripple it. Recently, the Information Technology & Innovation Foundation (ITIF) published a [Global Declaration on Free and Open AI](#) that provides a useful alternative model. ITIF [notes](#) that “China has attempted to restrict AI models that express controversial views threatening the regime’s authority” and urges democratic nations to “commit to a vision of free and open AI to counteract such encroachments.”

Preventing Domestic And Foreign Regulatory Overreach

To compete effectively with China, the U.S. government should support American companies and promote innovation. But recently, government agencies in Washington have looked to reinvent U.S. law to stand in the way of innovation, often taking steps that are outside their legal mandates.

For instance, rather than supporting American companies as they seek to compete with emerging threats from China, the FTC has challenged mergers that would help companies to compete in [highly dynamic markets](#), such as cloud gaming and the virtual reality, and offer consumers the possibility of innovative new products. Because [these challenges](#) had flimsy bases in U.S. law, most have been tossed out of court, but the prospect of overly aggressive enforcement remains.

Additionally worrisome is Congressional activity that threatens America’s ability to innovate. In recent years, Congress considered several antitrust bills that would have restricted competition and investment in the tech industry, with [one analysis](#) pegging the cost to small business sellers to be at least \$500 billion in lost sales over five years, the equivalent of a 5.2 percent tax. Today, various other legislative proposals could chill innovation, including bills targeting restrictions for AI, bills to create new federal agencies to regulate the tech industry in a comprehensive manner and other heavy-handed regulatory efforts. When it comes to AI, some policymakers in Washington are pushing measures that could stifle this crucial technology before it can fully develop. Proposals to restrict open-source models or establish stringent oversight bodies threaten to hinder innovation and undercut America’s ability to lead in this critical emerging sector.

Also troubling is Europe’s continued focus on American technology companies. As part of its Digital Markets Act (DMA), the European Commission recently announced a set of “gatekeepers” that will be subjected to heightened obligations and government scrutiny. [Five of the six designated gatekeepers](#) are American companies; only one is non-American, and none are European. Of the 22 “core platform services” that will be subject to stringent European regulation, [21](#) are American services, and again, none are European. The DMA, far from protecting or promoting competition, is a protectionist measure that allows the European Union to intervene in American business models and dictate how U.S. companies design products and services.

While the DMA's rules were in development, the Secretary of Commerce Gina Raimondo [stated](#) that "we have serious concerns that these proposals will disproportionately impact U.S.-based tech firms and their ability to adequately serve EU customers and uphold security and privacy standards." Clearly, this regulatory overreach disproportionately and intentionally harms America's economic interests. Policymakers should avoid this type of protectionism and instead pursue an innovation agenda that promotes freedom.

Ironically, while the DMA was intended to bolster the European tech sector, its net effect will be to undermine innovation and advantage China in the global tech race. Even European private sector companies [are raising concerns](#) that the DMA will potentially hurt the growth of new businesses and dramatically slow EU digitalization, further impeding the EU's ability to compete globally.

Empower American Companies To Compete Globally

It sounds like a truism: for America to flourish, American companies must be allowed to flourish.

U.S. private sector companies, particularly those in the tech industry, are pivotal to global innovation. These enterprises drive technological advancements and economic growth through significant investment in research and development. American tech companies not only introduce groundbreaking technologies that transform everyday life – from AI to smartphones to cloud computing – but also foster a dynamic ecosystem of startups and smaller companies. This environment encourages continual innovation and competition, ensuring the United States remains at the forefront of technological progress. The agility and resourcefulness of these companies in responding to new challenges and opportunities underscores their essential role in advancing both national and global technological landscapes.

Unfortunately, recent action in the United States and Europe suggests that some policymakers need a reminder about the importance of U.S. private sector innovators. Litigation by the politicized antitrust agencies and attorney general in the United States has sought to recharacterize procompetitive, innovative activity as violations of U.S. antitrust and other laws when in reality, these actions, along with the American legal system, are focused on protecting consumers by promoting innovation and high-quality products.

This misguided approach to litigation weakens America's more successful companies at a moment when they are needed to combat the threat posed by China's government. But perhaps equally important, it degrades the quality of the tech products and services that people use.

Strengthen Our Supply Chain

The pandemic exposed that supply-chain vulnerabilities can threaten America's strategic needs. According to a [White House report](#), increases in car prices, stemming from semiconductor shortages which were caused by supply chain disruptions, led to approximately one-third of core inflation in 2021.

To counter this threat, we need to strengthen the resiliency of our global supply chain. We need to reduce America's dependence on China for critical strategic technologies, such as microchips, and the materials that produce them. Reshoring or friendshoring critical products and services is essential to our long-term economic and military success. The supply chain must be robust, secure and diverse, which means that we should be able to source the products and materials we need from within the United States and from our global allies.

We should focus these efforts on sectors such as technology, but also on commodities like prescription drugs. Doing so effectively will not only reduce inflation and stimulate economic growth, but it can also create hundreds of thousands of jobs in communities across the country.

Protect Digital Infrastructure

We will not maintain our leadership position in technology if our cybersecurity systems are weak. Constant attacks by foreign adversaries threaten American national [security](#), domestic [financial security](#) and U.S. [democracy](#). To fend off these threats, we should invest even greater amounts in strengthening our cybersecurity infrastructure and governance. For instance, the creation of the Cybersecurity and Infrastructure Security Agency (CISA) in 2018 helped to prepare the public and private sectors for cybersecurity threats and has played a significant role in strengthening our electoral infrastructure.

In addition, the government should be transparent about the scope and scale of the cybersecurity threats we face, such as by monitoring and reporting on intellectual property (IP) theft, and foreign cyberattacks on government infrastructure. Some leading technology companies, namely [Meta](#) and [Google](#), already report on coordinated threat activity on their platforms.

The government should also continue to act against potential threats from our foreign adversaries. For instance, the Federal Communications Commission (FCC) should fully fund its “rip and replace” program, which helps carriers to remove telecommunications equipment from Chinese companies and replace it with equipment from companies that aren’t associated with foreign adversaries. Congress must approve the final phase of funding, or many of our communities will remain vulnerable, particularly those reliant on smaller telecom companies.

The Scope Of Cyberattack Efforts By China And Russia Is Breathtaking.

Per The Federal Bureau of Investigation (FBI):

- ***China’s hacking program is bigger than every major nation combined.***
- ***China has stolen more U.S. personal and corporate data than every nation combined.***
- ***China’s hackers outnumber the FBI’s cyber teams by a factor of 50 to one.***
- ***Russia is near the top of the FBI hacker list as well and is focused on the U.S. energy sector.***

Pillar Two: Promoting Dynamism In The Tech Sector That Will Strengthen The Startup Ecosystem

Startups are the [driving](#) force of economic growth. As we noted in our previous policy paper:

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 UK, 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.

If we are to beat China in the tech race, U.S. policymakers must support the startup ecosystem in four key areas: 1) help American companies launch and support the technologies of tomorrow, 2) fuel investment in startups, 3) harmonize regulation to reduce bottlenecks to growth and make regulations nimble enough to evolve alongside technology and 4) expand innovation ecosystems.

Help American Companies Launch And Support The Technologies Of Tomorrow

The most critical development since we published our last economic policy agenda in May 2022 has been the rise of AI. With the increased prevalence of AI following the launch of OpenAI’s ChatGPT, Google’s Bard, Meta’s Llama 3 and a [vast startup ecosystem](#) of new AI products and services, America is poised to use the AI race to reassert its global innovation leadership position over adversaries like China.

According to a [report by McKinsey](#), generative AI could add \$4.4 trillion in value to the global economy each year. [Goldman Sachs found](#) that generative AI could raise global gross domestic product (GDP) by seven percent. And while many AI critics have stoked fears about potential AI-

induced job losses, based on history, it is more likely that AI will stimulate a [virtuous cycle](#) of [increased productivity](#), higher wages, cheaper goods and a net gain in jobs. In fact, the World Economic Forum estimates that by 2025, AI will create a net gain of [12 million more jobs](#) across 26 countries.

Yet an Atlantic Council [report](#) stated that, “President Xi Jinping has made achieving global leadership in AI by 2030 central to building China into a ‘modern socialist power.’” With this threat in mind, the United States must implement policies that will support American companies as they launch the technologies of tomorrow, today. These key new areas of investment extend beyond AI and include advanced microchips, quantum computing, 5/6 G technology, extended/augmented reality, biotechnology, autonomous vehicles, cybersecurity, cloud computing, space exploration and renewable energy.

As noted above, the government’s playbook should start with significant research funding to support exploration of science in these fields. To do this, policymakers should expand the [R&D tax credit](#) and make it permanent. Companies should also receive incentives when they build new advanced research centers in the United States, rather than locating them offshore.

Another key role the U.S. government must play is in securing and reinforcing the nation’s energy infrastructure to handle the increasing demands of technological development and defend against external threats, such as cyberattacks from China. Effective collaboration between the public and private sector is vital to enhance grid security and ensure the United States remains a leader in innovation amidst global competition.

At the same time that the U.S. energy grid is facing increased use from technological developments, electric vehicles (EV), reshoring of manufacturing and extreme weather, there have also been spikes in cyber threats from foreign adversaries that have made the grid a target.

In January, FBI Director Christopher Wray [warned](#) Congress that “Chinese government hackers are busy targeting water treatment plants, the electrical grid, transportation systems and other critical

Top Priority Commercial Techs of Tomorrow:

- ***Artificial Intelligence***
- ***Quantum Computing***
- ***5/6G connectivity***
- ***Advanced Microchips***
- ***Extended/Augmented Reality***
- ***Biotechnologies***
- ***Autonomous Systems/Vehicles***
- ***Cybersecurity***
- ***Cloud Computing***
- ***Space Technologies***
- ***Renewable Energy Tech***

infrastructure inside the United States.” Just shortly after, in April, the North American Electric Reliability Corporation (NERC) [reported](#) “U.S. power grids are increasingly vulnerable to cyberattacks, with the number of susceptible points in electrical networks increasing by about 60 per day.” [The regulator stated](#) the U.S. grid’s points in software or hardware that are susceptible to cyber criminals grew by nearly 10 percent from 2022 to 2023.

Further, strengthening the U.S. energy infrastructure is crucial, not only to support our digital economy, but also to manage load growth and facilitate and oversee new power generation. In the short term, AI is helping to boost grid efficiency and reliability and optimize electricity consumption through improved weather forecasting and enhanced detection of emissions. These advancements are pivotal as technologies, namely renewables, EVs and quantum computing, are integrated into the grid.

AI also has the potential to advance energy development. For example, recent AI-driven [breakthroughs](#) in understanding plasma instability are paving the way towards grid-scale nuclear fusion, promising a future of abundant, clean energy without hazardous waste. If America develops this technology first, we could potentially reap hundreds of billions in economic value by selling this groundbreaking clean energy technology globally.

Policymakers must view these challenges not as roadblocks but as catalysts for greater innovation to advance and protect our energy capabilities, and in turn, our technological future. However, if the United States fails to strengthen the grid by implementing critical cyber protections, America risks losing its lead in AI and other transformative, emerging technological innovations.

Additionally, policymakers should also avoid hampering American innovation with heavy-handed, punitive rules, including government licensing. In a [recent report](#), startup advocacy organization Engine argued that “mandatory certification or licensing schemes could create ‘regulatory moats’ that bolster the power and position of large companies that are already established in the AI ecosystem while hindering startups from entering or succeeding in the market.” Even more draconian measures, like an AI [“pause,”](#) would hand a victory to our adversaries, as responsible AI companies would take a step back and nefarious developers take advantage of the void.

Overall, by fostering a collaborative yet conditional engagement model, U.S. policymakers would not only bolster our domestic capabilities but also ensure that we remain at the forefront of global tech leadership. Such a strategy would not only enhance the competitive edge of the United States in key technological domains but also create a more balanced and reciprocal tech relationship between the two superpowers.

Fuel Investment In Startups

The government should foster an investment climate that makes it possible for entrepreneurs to start and grow new businesses. If venture capital (VC) firms face artificial hurdles in making investments and seeing a financial return from their investments, they will move their funding elsewhere, and American startups will lose access to the lifeblood that fuels their innovation. For instance, venture capital firms will invest less in American startups if it becomes more difficult for startups to be acquired.

Acquisitions are critical because [a recent American Edge/PitchBook study](#) of VC trends across all 50 states found 73 percent of VC-backed exits over the past decade were by acquisition, with only 10 percent by public listings and 17 percent through buyouts.

Despite that economic reality, there are forces in Washington now that have sought to establish barriers to exit via acquisition. In fact, the Department of Justice (DOJ) and FTC have introduced new merger guidelines that exhibit deep skepticism about the value of mergers. If embraced by the courts, these guidelines will make it harder for startups to acquire the financing and technical expertise they need to grow and thrive. They will also slow growth and job creation across the country.

Similarly, new merger filing requirements would more than quadruple administrative and compliance burdens, even for routine mergers that raise no competitive concerns. As one prominent law firm [put it](#), “[t]he new guidelines would support challenges to deals that would not raise concerns under established antitrust precedent,” emphasizing that “[t]he DOJ and FTC have lost all but one of the court cases where they have sought to block mergers based on the approach in the guidelines.”

The timing of creating these policy barriers could not be worse, as [venture funds are aiming to invest](#) in companies that will fuel American competitiveness and [advance America's security interests](#). Inhibiting acquisitions will be particularly challenging in this new age of AI, when it is likely that entrepreneurs will strive to start and build new companies. If they cannot sell those companies to more established firms or attract funding from private equity, they will be less likely

The proposed new merger guidelines by the FTC and DOJ will “hinder innovation and slow the growth of the American economy, to the detriment of the very consumers whom the antitrust laws are intended to benefit.” - Rebekah Goshorn Jurata, general counsel, American Investment Council

to get financing for their startups. To compete effectively in AI with China, we will depend upon a vibrant, active VC market, and this market is dependent upon a fluid acquisition market.

Harmonize Regulations And Keep Them Nimble

While Congress has stalled in passing the most harmful legislation on America's tech industry, state legislatures have been active – and it means a regulatory nightmare for tech innovators and users. In 2023, states [passed 65 laws](#) regulating the tech sector in areas like AI, privacy and child safety. For example:

- [Twelve states have passed](#) twelve different versions of privacy legislation, including California, Texas, Colorado, Virginia and Connecticut.
- [Florida and Texas](#) passed laws that restrain the ability of social media firms to moderate content on their platforms. The Supreme Court took up the case but [sent it back to lower courts](#) for further review.
- [California and other states](#) have enacted well-intended but misguided legislation to regulate online services that are likely to be accessed by minors. States are even [considering laws](#) that would ban minors from using social media.
- [Dozens of other states](#) have passed and are considering laws that would regulate AI. In 2023, 15 states passed 20 AI laws. In 2024, state legislators have already introduced [hundreds](#) of bills.

In short, consumers will cede control over how they use their tech products to state governments, who often know little about products or innovation. These new laws will also create obstacles to entrepreneurs and small businesses trying to offer products that work well across state lines. With the rise of social media and messaging tools, people now expect low-cost, high-quality communication, no matter where someone lives. With the rise of state-based policymaking, will it suddenly become harder for someone in Ohio to share information with someone in Illinois?

Federal policymakers have the power to reverse the state-driven balkanization of the internet, and instead establish clear federal policy that will govern technology companies. If Congress were to pass comprehensive federal privacy legislation that properly balances consumer and business interests, it should stand as the law of the land, immediately harmonizing any discrepancies from state to state. This federal approach is the optimal way to govern the tech industry. People expect their online rights and responsibilities to be consistent when they communicate with people from another state.

In a fast-moving sector like technology, it is also important that regulations are nimble enough to keep pace. Outdated regulation will slow the pace of technological progress, while also failing the

users who depend on it to protect them. Developing nimble regulation is as much about the regulatory process as it is about its substance. Governing innovation well means governance that is not only about innovation, but that is also innovative itself.

One example of an innovation governance framework is a regulatory sandbox, which enables companies to test new products without fearing that they will face punitive lawsuits. [Utah's regulatory sandbox](#) initiative temporarily waives specific regulations for the purpose of experimentation. The results have been encouraging; to date, the concept has allowed numerous small companies to focus on their customers and business models without having to spend tens of thousands of dollars on regulatory compliance.

A sandbox also allows the government to learn more about new technologies and policies that might govern them. Federal and state governments should deploy more sandboxes to help companies evaluate new products and help the government learn more about the viability of different policy frameworks. Governments should also pursue public-private partnerships, enabling government to learn from industry and industry to learn from government. Similarly, governments should work with industry to develop best practices and voluntary commitments, such as the White House's [announcement of voluntary commitments](#) in AI.

Expand Innovation Ecosystems

At one time, a small set of specific locations were the hotbeds of innovation in America. Silicon Valley, for instance, was the primary destination for anyone looking to build a tech company. Now, however, there are innovative ecosystems [throughout America](#). The proliferation of these innovation zones has contributed to the democratization of technology access, and the benefits of the startup ecosystem now flow more readily to communities across the country.

According to a [recent McKinsey report](#), innovation hubs “outperform other regions and business districts economically, financially, and socially.” ITIF [found](#) that there are an average of 30,000 high-tech workers in every congressional district, and 50 districts employ over 50,000 high-tech workers. A report on “innovation districts” by the Brookings Institution found that there are intensive areas of startup activity throughout the country, including in Ohio, Missouri and Rhode Island. Likewise, venture capital firm [Andreesen Horowitz has emphasized](#) the geographic diversity of its investments, with startup financing flowing to companies that “are tackling some of the nation’s stickiest, most pressing challenges” in states, such as Colorado, Florida, Georgia, Illinois, Maryland, Pennsylvania and Texas.

Pillar Three: Sharing The Benefits Of The Innovation Economy More Broadly

America cannot maintain a leadership position in innovation if the benefits of technology accrue only to the elites or particular geographic areas. Despite common perception to the contrary, the social media boom of the last 15 years has touched diverse communities across America: [more than 80 percent of people](#) use YouTube and more than 65 percent of people use Facebook, with minimal variations across household income levels. For instance, more than [89 percent of people](#) in households making over \$100,000 use YouTube, compared to 73 percent of households making under \$30,000. [Facebook usage](#) is 68 percent and 63 percent, respectively.

This data is encouraging, but there is more we can and should do to ensure that benefits of the innovation economy flow equitably to communities across America. We should continue to: 1) invest in closing the digital divide, 2) protect consumer usage of low-cost, high-quality products, 3) use technology to support traditional industries and 4) build a robust talent pipeline.

Close The Digital Divide

We will not realize the benefits of the internet for U.S. competitiveness, national security and domestic well-being if people and families throughout America are not able to access it. For this reason, closing the digital divide should be the cornerstone of any innovation policy.

To ensure that more people can access reliable internet service, governments should promote broadband access for rural communities and broadband affordability for urban communities. The Infrastructure Investment and Jobs Act [included \\$65 billion](#) in funding directed at closing the digital divide, and state governments received significant federal [investments](#) as part of this program. State governments should then use this funding to support telecom and internet service provider (ISP) companies as they build out the performance and coverage of their networks. As states put this money to work, they should provide transparent reporting on how the funding is being used, how effective it is in addressing broadband gaps in rural and urban communities and policy recommendations for how the federal government can improve its funding mechanisms to support broadband access.

[Digital equity and inclusion](#) should be a priority, aiming to ensure that historically marginalized groups, such as women and minorities, have greater access to the digital economy. The National Telecommunications and Information Administration (NTIA) is now running Digital Equity Act Programs, which provide \$2.75 billion for grant programs aimed at promoting digital equity and

inclusion. The U.S. Department of Commerce should continue to partner closely with state governments and tech and telecommunications companies to ensure the goals of this initiative are being met.

Policymakers should reduce regulatory barriers to telework, telehealth and online education. By doing so, they would allow 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.

Protect Consumer Usage Of Low-Cost, High-Quality Products

Sharing the benefits of the tech ecosystem equitably in communities throughout America requires that people in these communities have access to services and tools that are high quality and low cost. Policymakers in Washington have proposed a number of new tech regulations that would increase the costs of tech products, create barriers for people seeking to access these services or pick winners and losers among private sector parties. For instance, some proposals to prohibit companies from preferencing their own products would mean that people might not be able to use mapping software to easily find information about the location and contact information for a local business, or people would face higher costs for shipping rates for online shopping.

These policy ideas are misguided and will make tech products worse and more expensive for many Americans. Instead, policymakers should focus on positioning American companies for global success and making it possible for all Americans to enjoy the benefits of these dynamic tools.

Use Technology To Support Traditional Industries

The tech sector is far from the only industry that can use technology to bolster American competitiveness. Technology has the potential to make all sectors of the American economy even more competitive globally, including agriculture, manufacturing and healthcare.

We don't have time to lose in this effort. China [already makes heavy investments](#) in digitizing even its traditional industries, such as manufacturing and the automotive industry. [Since at least 2015](#), China has been focused on digitizing traditional industries with the launch of its "Made in China" plan. This initiative, along with several others, has focused society, resources and funding on extending the power of the internet to strengthen and modernize dozens of non-tech industries,

including advanced manufacturing, transportation, agriculture, medical products, aerospace and energy. America should – and can – keep pace.

To equip all American industries with the tools they need to use technology to deliver better products more efficiently, the government should create the friendliest business climate possible, while offering subsidies for technological adoption. For instance, state and federal governments could create incentives for small and medium-sized businesses to invest in new digital tools and services by implementing a digital innovation tax credit. Similarly, governments [can continue to support](#) the transition to electronic patient records in medicine and provide [incentives for farmers](#) to invest in more efficient agricultural practices. Digitalization will lower costs while increasing quality, ultimately benefitting consumers who will be able to use products that are cheaper and better.

Build A Robust Talent Pipeline

Finally, to maintain a leading position, the American tech sector must be able to hire and retain leading talent. That means educating America's youth to prepare them for the economy of the future, making retraining programs available to adults to empower them with the ability to join the tech labor market, supporting parents in the workforce and ensuring that when we educate foreign students in America, we allow them to remain in this country to contribute to the growth of our tech sector.

First, policymakers should reinvigorate our educational curriculum by making [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. Government programs should also target STEM education for all Americans and should include investments in STEM education for teachers.

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.

School districts should embrace the use of emerging technologies, such as virtual reality and generative AI. They should help teachers to educate students on how they can use these tools to succeed in school and in their future professional lives. They should counsel students on how to

use these tools ethically. Educators can draw from guides developed by [companies](#), [expert organizations](#) and [governments](#) to inform their use of AI in the classroom.

Building a strong workforce also means that government should act beyond the workplace and the classroom. Congress should expand family leave policies so that the entire workforce can participate in and benefit from the digital economy. Governments should also support after-school programs to provide support to working parents who may need to work several hours beyond the end of the school day.

The final component of investing in tech talent in the United States is ensuring that foreign students educated here can 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 we are making a talent investment that we are not recouping and instead handing to benefit other nations. Canada recently seized this opportunity by [creating a special work permit](#) for foreign workers who obtained an H-1B visa in the United States. It set a target of 10,000 applicants and met that goal within one day. To address this issue, we should provide visas that allow foreign graduates to stay in America to conduct STEM-related work. Several other countries [provide](#) this type of visa to keep talented workers from taking their skills abroad, but the United States does not.

Conclusion

With the 2024 election looming on the horizon, America has a choice to make: will it pursue policies that reaffirm its position as the global leader in innovation, or will it abandon its commitment to its own citizens and companies and hand these leadership positions to its adversaries?

The path forward will be illuminated by the choices we make today. We must choose to establish our geopolitical leadership through technological leadership, promote dynamism in the tech sector that will strengthen the startup ecosystem and share the benefits of the innovation economy more broadly. We must get it right. The implications are vast, reaching from the smallest startup to the largest company, from the corners of Silicon Valley to Main Street businesses across the country. The commitment to technological progress is not just a commitment to economic metrics, but a commitment to American national security, prosperity, values and well-being. If we get it right, we will ensure the promises of today pave the way for a brighter, more innovative tomorrow.

###