



The Daily Dish

A \$281 Billion Recycled Technology & Innovation Plan

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Good Morning,

Yesterday the [Financial Stability Oversight Council](#) removed GE Capital's designation as a "Systemically Important Financial Institution." GE recently sold \$180 billion worth of businesses. The FSOC designation process, as well as how companies are able to escape the designation, has garnered criticism from lawmakers, academics, and stakeholders. The convoluted, secretive, and non-transparent designation process also enabled [MetLife](#) to be freed from its SIFI designation after a court sided with the company that the Council acted "arbitrarily and capriciously" in the designation process.

In a 68-30 vote, the Senate approved a measure to address Puerto Rico's economic crisis that has led to \$72 billion in debt. The legislation creates a financial management board to provide needed fiscal oversight of the Commonwealth's budgeting and establish a means of reorganizing the Commonwealth's debts. [Click here](#) to watch AAF President Douglas Holtz-Eakin discuss the economic crisis and how this legislation protects taxpayers while placing the Commonwealth on track to improve its economic and fiscal health.

Eakinomics: A \$281 Billion Recycled Technology & Innovation Plan, Guest Authored by William Rinehart, AAF's Director of Technology and Innovation Policy

Presidential hopeful Hillary Clinton [unveiled](#) her technology and innovation plan this week which includes both policy positions and spending priorities. While she doesn't provide an explicit price tag, when totaled, the plan would commit at least \$281 billion in spending on tech and innovation efforts. While a significant portion of this would come from extensions of Obama Administration programs, two of the biggest drivers of cost will be the creation of a \$25 billion infrastructure bank and expansion of research and development (R&D), both of which fail to understand the state of play on the ground.

At a high level, both the spending priorities and the policy positions seem reasonable, but when taking a closer look, it is not clear that they will be effective at moving innovation. Funding the infrastructure bank will come as a result of higher corporate taxes. But, as AAF has noted before, "there is bipartisan agreement that the corporate rate is too high and lots of evidence that even a revenue-neutral reform has great difficulty addressing the problems of growth and international competitiveness." Ostensibly, the bank is meant to ensure everyone has broadband access by 2020, but the plan doesn't hint at the [double standard](#) in broadband. To get federal funding, a 10 Mbps connection is considered broadband, but if you are a company, 25 Mbps is the lowest threshold to have a broadband connection. [The entire US](#) already has access to a 10 Mbps connection. Therefore, it's unclear what standard this new bank would be using to fund projects.

Additionally, Clinton wants to expand R&D spending, saying that "federal funding for R&D as a share of GDP is lower than before Sputnik." While this is true, it glosses over the total amount of R&D spending. In 1957 when Sputnik was launched, R&D was 2.09 percent of GDP. The most recent [data](#) from the National Science

Foundation found that 2013 spending was 2.72 percent of GDP. The nature of innovation has changed since the 1950s. Businesses are spending in both basic and applied research. Importantly, US firms continue to dominate in business model and process innovation, taking an idea and bringing it to market, and it is here where US innovation should be focused.

What is notable about the plan is the lack of new ideas. Most of the spending priorities are simply an extension of Obama administration policies. She has reflexively adopted the onerous network neutrality of the Obama Administration and wants more muscular antitrust enforcement, which will both come at the expense of consumers. On balance, the plan is a mixed bag with some good and some bad. If Clinton were to implement these policies, that's exactly what consumers and workers will get.