



Solution

An Innovation Agenda for 2017

WILL RINEHART | OCTOBER 13, 2016

In the software industry, programmers continuously revisit a program to clean it up, debug sections, and simplify the lines of code. We need to do the same for government. We need to debug the bureaucracy.

The innovation agenda laid out below aims to do just that, spurring growth in the tech sector and ensuring that consumers benefit from the rising economic tide. As political scientist Steven M. Teles [convincingly argued](#), “the issues that will dominate American politics going forward will concern the complexity of government.” He is right, the “clumsy but temporarily effective” structure of the government needs to be addressed. Some parts need to be cleaned up, some simplified, while others need a complete teardown. The next administration could achieve this with the following objectives:

- Upgrade the executive branch;
- Keep the Internet free and open by refreshing the Federal Communications Commission (FCC);
- Help cut the red tape in broadband deployment;
- Reform the Universal Service Fund;
- Free up the spectrum market;
- Troubleshoot the tax and regulatory system;
- Support entrepreneurship and reform R&D spending; and
- Educate the next generation of STEM workers.

No one single change will do all of the heavy lifting, nor is this an exhaustive list, but together these policies would help reboot the government and allow the next generation of workers, consumers, and companies to succeed in the quickly advancing economy.

Upgrade the Executive Branch

The government clearly needs an update. The next president will set the tone of the executive branch and will need to advocate for an upgrade to achieve smarter, smaller government. Broadly the administration should:

- Accept that innovation is chaotic and complex, and problems are often solved in time by both the market and the legal system;
- Adopt only those solutions that impose the least cost after a market failure has been firmly established, [following the AAF three-part test](#);
- Encourage agencies to invest their current funding in technology upgrades; and
- Follow through with the implementation of the [Digital Accountability and Transparency Act of 2014 \(DATA Act\)](#), and ensure that agencies are converting their spending information into open data formats for analysis.

Keep the Internet Free and Open by Refreshing the Federal Communications Commission (FCC)

The network neutrality fight has been a boondoggle and will add to the already complex legal system that the FCC administers. A wide range of potentially innovative ideas have been made illegal with the new network neutrality rules and programs that offer free data, which are especially helpful to low incomes families, are being questioned by the agency. The next administration should urge Congress to roll back Internet reclassification and reaffirm that it was long intended to be a lightly regulated service.

In its place, the FCC should follow the plan laid out by Commissioner McDowell and “create a new role for itself by partnering with already established, nongovernmental Internet governance groups, engineers, consumer groups, academics, economists, antitrust experts, consumer protection agencies, industry associations, and others to spotlight allegations of anticompetitive conduct in the broadband market, and work together to resolve them.” Instead of building a legal monstrosity for network neutrality, a better path would utilize the already existing corrective measures.

Help Cut the Red tape in Broadband Deployment

[Google Fiber’s experience demonstrated](#) that red tape at the local level is hampering the development of Internet. The incoming president should convene a task force for best practices at the state and local level for deploying broadband reform with a focus on siting issues and other pre-deployment cost reductions. Cities must wean themselves off of taxes and fees that date from the monopoly era and must do a better job reviewing work orders to ensure that companies are given timely access to rights-of-way.

Reform the Universal Service Fund

Currently, the Universal Service Fund (USF), which is administered by the FCC, is on a path to insolvency and has done little to show its effectiveness in getting consumers connected to the Internet. The USF needs reform in the following ways:

- Each of the four programs of the USF, including the Connect America Fund, E-Rate, Lifeline, and the Rural health care program, need to undergo [an economically rigorous evaluation](#);
- Repair the Lifeline program, [as AAF has suggested](#), by defining the problem the program aims to solve, capping the budget, simplifying eligibility requirements, and reconsidering the current contribution method, which is harmful to the poorest families by considering a replacement voucher system; and
- Simplify the E-Rate program and abolish the tiered services approach.

Free Up the Spectrum Market

No substitute exists for spectrum, so a top priority for any new administration should be the consistent supply of spectrum. The incoming president should:

- Advocate for technology neutral rules, which would allow for wireless technologies like [LTE-U to get into the hands of consumers quicker](#);
- Urge agencies to identify their spectrum holdings with the goal of vacating those bands;
- [Develop federal overlay licenses](#); and
- Allow for more flexibility for current licenses, thus creating a real secondary market in spectrum.

Troubleshoot the Tax and Regulatory System

Reforming onerous unseen taxation in the form of excessive regulations should be a central focus of any innovation plan. The next administration should:

- Urge states and local governments to stop imposing discriminatory tax on [mobile services](#), mobile service providers, or mobile service property (i.e., cell phones), which hurt the working poor;
- Follow bipartisan calls to lower [the corporate tax rate](#);
- Revisit Sarbanes Oxley's impact on the startup market;
- Rethink Dodd-Frank, as it reduces consumer credit, and [AAF has found](#) it will reduce economic growth by \$895 billion over 10 years; and
- Make a real commitment to reversing red tape across the board, which has increased by \$760 billion in net costs since 2010, with 485 million in net paperwork burden hours, [as AAF's Sam Batkins has found](#).

Support Entrepreneurship and Reform R&D Spending

The United States stands at the leading edge of innovation, but entrepreneurship has been stymied in recent years due to byzantine regulations. Sparking innovation won't be easy, so the next administration will need to be a leader and should:

- Promote entrepreneurship by rehabilitating [the broken immigration system](#);
- Improve both the National Science Foundation (NSF) and the National Institutes of Health (NIH) by targeting dollars on research with relatively high fixed costs;
- Bolster the effectiveness of the current pool of research and development (R&D) dollars by piloting funding methods other than the committee review system, such as innovation prizes; and
- Conduct evaluation studies of NSF and NIH grants and the grant making process, seeking to understand the productive value.

Educate the Next Generation of STEM Workers

The economy of the future will be data intensive and in need of educated workers. [AAF has estimated](#) that by 2024, the US will be short 1.1 million workers in science, technology, engineering, and math (STEM) occupations. To help educate the next workforce, the next administration should:

- Act as a leader and discuss where Title IV financial aid money can be used. The Obama Administration [recently piloted a project](#) to allow for Title IV financial aid money to be used for massive online open course (MOOCs) and coding boot camps, but a larger discussion is needed;
- Continue work that offers flexibility for states using federal resources, ensuring career and technical

education (CTE) becomes a competent again of education;

- Help establish best practices for integration between businesses and education; and
- End duplicate programs and streamline processes that are meant to promote STEM education.

While these proposals might not solve all of the problems facing innovation in the US, they could go a long way to help ensure that everyone wins in this new economy. The next administration needs to troubleshoot, debug, and simplify the federal code.