Statement for extension
Extension of Remarks
Submitted by
Congressman Les AuCoin
April 22, 1980

BRACING FOR THE YEAR 2000

Mr. Speaker, as Chairman of the Task Force on Innovation, I want to call the attention of Members to a speech recently given by Mr. James Affleck, President of American Cyanamid. The speech, which was given as part of the distinguished lecture series at Patterson College, states clearly what many in government are just beginning to discover; that the best hope for maintaining our economic strength in the world lies in more and better innnovation in American industry. As Mr. Affleck states, the country can best foster innnovation by creating a regulatory and economic enviroment that enocourages industry to put new ideas to work.

Mr. Speaker, I ask unanimous consent that Mr. Affleck's speech be printed in the Record.

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BRACING FOR THE YEAR 2000

REMARKS BY

JAMES G. AFFLECK

CHAIRMAN OF AMERICAN CYANAMID

DISTINGUISHED LECTURER SERIES

WILLIAM PATERSON COLLEGE

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Americans are now having second thoughts about our retreat from science and technology.

In our antitechnology bias of the '60s, we saw only the destruction technology could cause -- as in Vietnam. As a nation, we came to distrust scientific advances and to shun innovation. Increased consumerist pressure and government regulation, combined with inflation, had a severe dampening effect on industrial and academic technological development.

The results are apparent. By 1960, 82% of all major innovations brought to market had been developed in the U.S. At the end of the decade that figure had declined to 55%.

In 1967 we generated more than one-third of the world's science. Today it's about one-quarter and declining annually.

What we failed to see until recently were the opposing dangers. The perils in not developing new technology. The danger of running out of energy. The effects of slow economic growth on the poor and on the social gains made by minorities. And the very real danger that countries less tolerant of individual liberty and human rights may not slow their pace of growth--even if we reduce ours.

Americans have begun to realize that as a nation we cannot survive in today's world without high technology. Much of our raw materials and energy come from Third World countries which are in political or religious upheaval. Our only legitimate hope is to develop technologies that will make us self

sufficient in energy and more efficient in the use of raw materials.

In these and many other fields, U.S. industry must develop high risk, breakthrough technology. We must take the lead and keep our competitive advantage.

But if the U.S. is to remain competitive against the challenge of other countries, the Federal government is going to have to be realistic about what this challenge involves.

In both Germany and Japan--and for that matter, in practically all foreign countries--industry and government work together closely to achieve their national economic objectives. They recognize that the competition is the United States.

Here, Government and industry too often have been in adversary positions, with Government restraining rather than abetting industry's ability to innovate and compete in world markets. This has been particularly harmful to our nation over the past 20 years.

During those years, innovative gains in other countries--backed by more favorable government policies--have enabled them to turn out new products at lower cost, undercutting American competitiveness at home and abroad.

Our competitive position has been further weakened by the fact that the fabled productivity of the U.S. has been sliding. From 1967 to 1973 we managed an annual productivity

increase of only 2.1%. After 1973, that figure fell to 1% a year. And it is virtually flat today.

To compete successfully in the '80s and '90s, we must nurture technology. We must rekindle the innovative spirit of American industry.

I'd like to pinpoint four critical areas where I believe changes are needed.

First, accessibility to venture capital.

We must rework our tax system to eliminate taxation of savings and of investment needed for new high risk technological and business ventures. Under our current system, there is insufficient incentive to save or to invest. Consequently, the rate of personal savings in the U.S. is lower than that of any of our major trade competitors. We must have a national tax system that provides incentives for savings and investment.

A second area requiring change is patent protection.

The translation of research and development into new products is a complex and risky business. For example, it now takes an average of 8 years and $57 million in research and development costs before a new pharmaceutical can be brought to market. The U.S. patent system allows 17 years on a patent. With 8 years spent before marketing, the effective life of that patent is only 9 years. This substantially increases the risk involved in developing a new pharmaceutical. And if a company

can't be assured of a reasonable flow of profits from its new products, there will be no money for new research into cures for diseases such as cancer and arthritis. Extended patent protection would help to compensate for the increased time required in testing or in meeting regulatory delays, which is a third critical area--regulatory reform.

The burden of excessive regulation has made it virtually impossible for many innovative companies to continue the kind of high-risk, long-term research they have been noted for in the past.

I am not against reasonable and cost-effective regulations that make real improvements in health, safety and the environment. However, rigid standards have been mandated by some regulatory agencies without regard for economic impact--and too often with only marginal improvements in safety or the environment. Excessive regulation of that sort is outrageously expensive. The nation can't afford it.

We are going to have to weigh the improvements against the costs and the risks against the benefits if we are to provide a reasonable regulatory climate. Unless the cost of compliance is producing the results that we, the public, want, we are wasting money that could be used for research, development and industrial expansion.

Fourth: basic research must be increased.

Much of the fundamental knowledge needed to create new

science comes from basic research. This kind of conceptual exploration accounted for our rapid technological advancement in the past.

I am concerned, however, that because of a slowdown in basic research--both in funding and in the number of students enrolled in advanced science programs--we may not have the underlying foundation of science necessary to support our future technological needs. Much basic research is done at the university level, sponsored by government or industry.

I believe we need to provide a climate in the U.S. that will encourage closer relationships between industry and the university. Basic research may provide a new idea. But to bring that idea to fruition requires millions of dollars plus the know-how to develop, test, manufacture, and market it.

Only industry can do that.

Finally, to insure a climate favorable to innovation, the public must take renewed interest and pride in America's technical and scientific achievements.

If we are to progress through the '80s with realistic hopes and not find ourselves headed for the year 2000 as a second-rate world power, with second-rate living standards, we are going to have to move ahead with first-rate science, technology and innovation.

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