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Contacts:

(San Diego) Karen Winston  
(858) 964-1346  
kwinston@connect.org

(Washington DC) Tim Tardibono  
202.412.7791  
timothy@connect.org

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**CONNECT Innovation Institute Releases Policy Recommendations to Support Innovation, Production and Job Creation at DC Briefing**

SAN DIEGO, California, February 22, 2012 —It is universally agreed that reviving America’s once-dominant manufacturing base is essential to our economic recovery and our future prosperity. On February 22, 2012 in Washington, DC, the CONNECT Innovation Institute released four key research studies analyzing the state of American manufacturing and production at a Brookings Institution program titled “Why-and Which-Manufacturing Matters: Innovation and Production in the United States.” The authors and researchers of the studies presented their findings and policy recommendations to a standing room only bipartisan Washington audience. The event included a closing keynote by Dr. Irwin Jacobs, co-founder and former chairman, Qualcomm, Inc. who voiced his support of the recommendations and shared his concern that America needs to remain strong in advanced technologies and products.

The studies offer specific actions to stimulate competitiveness, particularly at the regional level, and to spread or amplify the benefits of innovation throughout society. To date, novel developments that give rise to “game changing” technology have been the hallmark of the American economy and a source of enormous wealth and value for the nation. However, the globalization of design, production, sophisticated manufacturing and distribution has slowed this critical economic engine. If innovation is to continue to be a major economic driver for the American economy a new form of innovation in processes and production is required in order to avoid losing jobs and industrial capabilities essential to the health of the U.S. economy.

“A strategy for manufacturing products and production innovation must recognize the growing interdependence of services and manufacturing in the new global landscape. Such a strategy will necessarily focus on manufacturing models, financing and workforce development,” said Peter Cowhey, Chair of the CONNECT Innovation Institute and Dean of UC San Diego Graduate School of International Relations and Pacific Studies.

Gateway founder and Innovation Institute member, Ted Waitt was the catalyst for the CONNECT Innovation Institute project, titled Innovation, Production, and Sustainable Job Creation: Reviving U.S. Prosperity. The development of the recommendations presented this week was funded by the Waitt Foundation. Summarized below, the recommendations are in three categories: production models, production financing and production workforce development. The summary was developed by Dan Breznitz, Associate Professor, The College of Management and the Sam Nunn School of International Affairs, Georgia Institute of Technology and Peter Cowhey:

## **I. Production Models**

The new innovation economy's manufacturing and financing demands have eclipsed the traditional model where individual companies are able to build and finance their own production facilities. Other countries have adopted different models that have the potential to succeed in the U.S. and provide new production flexibility for emerging companies. These models provide major advantages to both incremental product innovation and production.

### *Policy Recommendations:*

- Create an American version of the industrial design institutes and technology transfer programs successfully used in partnering with small- and medium-sized firms in such countries as Germany, Israel, and Taiwan.
- Incentivize the growth of contract manufacturing organizations (CMOs) in the U.S., including policies that will attract foreign CMOs to expand their operations in the U.S.
- Encourage states, counties, and cities to collaborate as regional entities to explore regional manufacturing platforms including redeployment of abandoned or underutilized production facilities.
- Fund a SWAT team approach to address opportunities for newly announced plant closings with the intent of turning them into CMOs wherever feasible.

## **II. Production Financing**

Innovative financing options are necessary to facilitate new manufacturing models along with revitalizing existing production assets in the U.S.

### *Policy Recommendations:*

- Create new public-private investment banks for specialized technology sectors and their unique production demands.
- Change tax policy to incentivize American corporations to deploy their cash stockpiles, both foreign and domestic, in U.S. manufacturing expansion and venture investment.
- Remove regulatory financing barriers and adjust tax policies to make capital more readily available for investment in production.
- Allow Intellectual Property (IP) rights to be valued as an asset for federal lending and grant programs.

## **III. Production Workforce Development**

New product and production models must be supported by a highly skilled, well-trained workforce.

### *Policy Recommendations:*

- Increase specialized industry-designed regional training schemes.
- Encourage education systems to engage industry to match graduate students in STEM fields (science, technology, engineering, and mathematics) with production needs for small and medium enterprises (SMEs).

The primary research studies supporting the development of the policy recommendations include:

- *America's Two Systems of Innovation: Recommendations for Policy Changes to Support Innovation, Production and Job Creation* by Dan Breznitz, associate professor, The College of Management and the Sam Nunn School of International Affairs, Georgia Institute of Technology

and Peter Cowhey, dean, School of International Relations and Pacific Studies, UC San Diego.

- *The Impact of Manufacturing Offshore on Technology Competitiveness: Implications for U.S. Policy* by Erica R. H. Fuchs, assistant professor, Department of Engineering and Public Policy, Carnegie Mellon University
- *Technology, Policy and Product Life Cycle: The Evolving Geography of Biomanufacturing* by Elisabeth Reynolds, executive director, Industrial Performance Center, Massachusetts Institute of Technology
- *Network Failures and Innovation in the New Old Economy* by Josh Whitford, associate professor of Sociology, Columbia University

Electronic versions of the papers can be accessed [here](#) on the [CONNECT](#) website.

A new policy paper on manufacturing from the Brookings Institution Metropolitan Policy Program was also released at the February 22 event. That paper describes four areas in manufacturing which need to be strengthened: research and development, improved access to finance, lifelong training for workers at all levels, and a greater role for workers and communities for creating and sharing in the gains from innovative manufacturing.

The paper argues these challenges can be met with public policies that:

- Promote “high-road production,” in which firms harness the knowledge of all their workers to create innovative products and processes.
- Include a mix of policies that operate at the level of the entire economy, individual industries, and individual manufacturers.
- Encourage workers, employers, unions, and government to share responsibility for improving America’s manufacturing base and sharing the gains of such improvement.

Speakers and panelists at the February 22 event included: Dr. Irwin Jacobs; Peter Cowhey; Bruce Katz, Vice President and Co-Director of the Brookings Metropolitan Policy Program; Dan Breznitz; Erica R.H. Fuchs, Associate Professor, Department of Engineering and Public Policy, Carnegie Mellon University; Elisabeth Reynolds, Executive Director, Industrial Performance Center, Massachusetts Institute of Technology; Josh Whitford, Associate Professor of Sociology, Columbia University; Howard Wial, Fellow Brookings Metropolitan Policy Program, Susan Helper, Professor of Economics at Case Western Reserve University and Rob Atkinson, Founder and President, Information Technology and Innovation Foundation.

### **The Brookings Institution**

The Brookings Institution is a nonprofit public policy organization based in Washington, DC. Our mission is to conduct high-quality, independent research and, based on that research, to provide innovative, practical recommendations that advance three broad goals: strengthen American democracy; foster the economic and social welfare, security and opportunity of all Americans; and, secure a more open, safe, prosperous and cooperative international system.

### **CONNECT Innovation Institute**

In July 2010, the CONNECT Board of Directors approved the establishment of a think tank called the CONNECT Innovation Institute to develop and publish white papers on innovation policy and competitiveness in the global economy. Along with Board Chair Peter Cowhey, the board includes: Irwin Jacobs; Mary Walshok, Associate Vice Chancellor, Public Programs; Dean, University Extension, UC San Diego; Ted Waitt, Founder and CEO, Avalon Capital Group; Drew Senyei, Managing Director, Enterprise Partners; Greg Lucier, Chairman and CEO, Life Technologies; Ted Roth, President, ROTH Capital Partners; Duane Roth, CEO, CONNECT; David Hale, Founder, Chairman and CEO, Hale BioPharma Ventures; and Jack White, Founder, Jack White & Company.

## **CONNECT**

Over its 26-year history, CONNECT has assisted in the formation and development of more than 3,000 companies in the San Diego region and is widely regarded as one of the world's most successful organizations linking inventors and entrepreneurs with the resources they need for commercialization of innovative products in high tech and life sciences. The program has been modeled in more than 50 regions around the world. CONNECT has been recognized by *Time, Inc.* and *Entrepreneur* magazines and in 2011 won the national State Science and Technology Institute's 2011 Excellence in Tech Based Economic Development Award for Building Entrepreneurial Capacity. In 2010 CONNECT was the recipient of the Innovation in Economic Development Award from the U.S. Department of Commerce for creation of Regional Innovation Clusters. CONNECT manages the San Diego, Imperial Valley, Inland SoCal Innovation Hub (iHub) designated by the state of California Governor's Office of Business & Economic Development in 2010. Key to CONNECT's success has been San Diego's unique "culture of collaboration" between research organizations, capital sources, professional service providers and the established industries. # # #