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In Innovation, U.S. Said to Be Losing Competitive Edge

By [STEVE LOHR](#)

The competitive edge of the United States economy has eroded sharply over the last decade, according to a new study by a nonpartisan research group.

The report by the [Information Technology and Innovation Foundation](#) found that the United States ranked sixth among 40 countries and regions, based on 16 indicators of innovation and competitiveness. They included venture capital investment, scientific researchers, spending on research and educational achievement.

But the American economy placed last in terms of progress made over the last decade. "The trend is very troubling," said Robert D. Atkinson, president of the foundation.

Measuring national competitiveness and the capacity for innovation is tricky. Definitions and methods differ, and so do the outcomes. For example, the [World Economic Forum's](#) recent global competitiveness report ranked the United States first. Much of the forum's report is based on opinion surveys.

A report last year by the Rand Corporation concluded that the United States was in "no imminent danger" of losing its competitive advantage in science and technology.

The new report, published on Wednesday, offers a more pessimistic portrait. Its assessment is in line with a landmark study in late 2005, "Rising Above the Gathering Storm," by the National Academies, the nation's leading science advisory group. It warned that America's lead in science and technology was "eroding at a time when many other nations are gathering strength."

[President Obama](#) has often said that in the future, international prosperity will depend on the United States becoming an "innovation economy." The administration's economic recovery package includes added spending for areas favored by innovation policy advocates, including higher research and development spending and funds for high-technology fields like electronic health records. But the administration has no coordinated innovation agenda.

Some countries, including Singapore, Taiwan, Finland and China, are pursuing policies that are explicitly designed to spur innovation. These policies typically try to nurture a broader "ecology of innovation," which often includes education, training, intellectual property protection and [immigration](#). This is in contrast to the industrial policy of the 1980s in which governments helped pick winners among domestic industries.

The foundation study, according to John Kao, a former professor at the Harvard business school and an innovation consultant to governments and corporations, is an ambitious effort at measurement. He called its

conclusions “a wake-up call.”

In the foundation report, unlike some competitiveness studies, results were adjusted for the size of each economy and its population. Consequently, the United States ranked sixth in venture capital investment (Sweden was first); fifth in corporate research and development spending (Japan led); and fourth in science and technology researchers (again, Sweden was first).

Over all, the most innovatively competitive nation was Singapore, which embarked on a national innovation strategy years ago, investing heavily and recruiting leading scientists and technologists from around the world.

Mr. Atkinson of the foundation said the United States should act more like the individual states had been doing for some time. They have government programs to attract investment and talent and improve work force skills of local people.

The study’s specific recommendations include federal incentives for American companies to innovate at home, ranging from research tax incentives to work force development tax credits. Public investments and regulatory incentives can accelerate the use of information technology in health care, energy systems, transportation, government and education.

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