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United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, D.C. 20510

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May 14, 1979

Dear Colleague:

During the past two years the Committee on Commerce, Science, and Transportation has been reviewing the state of U.S. industrial technology and innovation, and in particular how technology contributes to the balance of trade, productivity, employment, growth in GNP, and control of inflation. The situation has profound implications for our national economy and social well-being. Among other things, the U.S. trade deficit last year reached \$28.5 billion. Productivity gains ground to a virtual halt. By no coincidence, the nation continued to suffer from inflation and unemployment.

The Committee found a number of disturbing trends concerning the recent contribution of industrial technology to economic vitality in the United States:

- World markets in high-technology products are increasingly penetrated by foreign competitors;
- Foreign governments work more productively with private industrial concerns and are better able to focus research and development efforts to marketing technological products;
- The rate of U.S. industrial innovation appears to be lagging behind historical patterns;
- Small high-technology firms, a traditional source of innovation in the United States, appear to be disappearing;
- Venture capital to finance industrial innovation in the United States is tight;
- Productivity increases in labor and capital in the United States are declining relative to those of our foreign competitors; and
- The United States, among industrialized nations, suffers persistent unemployment.

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While it is difficult to quantify the exact state of U.S. industrial innovation, the social and economic consequences, both in the short- and long-term, of these trends are disturbing.

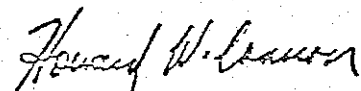
We need to reverse this erosion of economic vitality. This can be done, in part, through measures to improve industrial technology and innovation. The White House is undertaking a domestic policy review on industrial innovation. Administration proposals in this area should be forthcoming by summer.

We will be introducing a bill that could be viewed as a first step to stimulate industrial technology and innovation. It is not intended as a comprehensive remedy, but rather as an initial effort.


The National Technology Innovation Act would begin a revival of U.S. technological innovation in two fundamental ways. First, it would improve the ability of universities and industry to collaborate in generating new technologies that could reach the market; and second, it would improve the U.S. government's capability to identify technological opportunities, needs and problem areas, in particular sectors of the economy. A copy of a section-by-section analysis is enclosed for your review.

We hope you will join us as cosponsors. If you wish to cosponsor or have any questions, please have your staff contact Steven Flajser or Stephen Merrill at 4-9351 by May 21, 1979.

Sincerely,



HOWARD W. CANNON
Chairman



ADLAI E. STEVENSON, Chairman
Subcommittee on Science, Technology,
and Space