

U.S. trade and foreign economic policy, and had sufficient time to identify and discuss with Congress its specific trade-negotiating priorities. Moreover, when negotiating authority is requested, USTR should be willing to address long-standing congressional concerns by making significant changes from the past formulation.

For instance, the new administration should consider supporting the creation of a joint congressional committee on trade, which would include the chairmen and ranking members of all the key committees with jurisdiction over issues that appear in trade agreements. The negotiating authority could include the requirement that no trade agreement negotiation should be formally initiated unless this joint committee, or the joint committee and the trade committees, voted to give the negotiation the go-ahead. This mechanism would give Congress an expanded role in choosing U.S. trade negotiating partners, and it would give the president and USTR, as well as U.S. partners, the assurance that a broad cross-section of Congress had endorsed the concept of the negotiation.²⁷

In sum, the new trade representative will assume responsibility at an absolutely pivotal moment for U.S. trade policy. A new trade policy is desperately needed, and if the new administration builds a real partnership with Congress, it is possible to envision a trade policy that would be simultaneously more strategic, more realistic, and more idealistic—and certainly more successful in contributing to U.S. economic growth and improved living standards around the world.

Department of Commerce

Proving Ground for Sustainable Economic Growth

JONATHAN SALLET¹

The Department of Commerce should be the new administration's proving ground for sustainable economic growth. But meeting global economic challenges will require the new secretary to integrate the department's multifaceted expertise into a singular force. The department brings together trade, environment, telecommunications, domestic

economic development, among other areas of expertise, and it can help forge successful working relationships with businesses and state and local governments to confront pressing national challenges. The department should begin by strengthening its focus on economic and energy issues, developing a Regional Competitiveness Initiative that utilizes the potential and strength of industry clusters, and promoting better coordination among federal agencies on trade. It should also reinstitute the Advanced Technology Program to provide incentives for creating technologies that further national priorities; change the name of the National Telecommunications and Information Administration to the “National Broadband Agency” and refocus its efforts on deploying nationwide broadband; and lead a new 21st century manufacturing strategy. Longer term, Commerce must focus on ensuring that the 2010 and 2020 censuses are as efficient and accurate as possible.

The Department of Commerce could be—and usually has been—operated as a miscellaneous collection of semi-independent fiefdoms, each pledging primary allegiance to its specialized constituencies. That is not surprising given the department’s obvious institutional diversity, which includes trade promotion, export controls, technology development, telecommunications policy, the U.S. Census Bureau, the National Weather Service, fisheries management, and more. Moreover, the Bush White House actively sought to weaken key department programs, including the outright elimination of the Manufacturing Extension Partnership and the Advanced Technology Program, at a time when the U.S. manufacturing sector and its workers have suffered and American economic success rests increasingly on technological innovation.²

The new secretary of commerce must turn the disparate pieces of the department into a singular strength; together, they contain exactly the expertise needed to confront today’s business challenges. Think for a moment about what it will take for U.S. businesses and workers to succeed. The United States needs to transform how our businesses use energy for their economic success in order to improve efficiency and create new jobs in a world where energy independence and environmental sustainability are vital. We must integrate strong science and data-driven policymaking into management of natural resources and global environmental challenges.

The new administration must forge a concentrated approach to globalization that will benefit both U.S. businesses and workers by building on local and regional “clusters” of competitiveness. This means creating a public-private strategy to ensure that the United States maintains a manufacturing base that creates high-paying jobs; catalyzing applied research that businesses, universities, and communities can use to bring new innovations to market; and ensur-

ing that minority enterprises have the opportunity to succeed. It also requires a national broadband strategy to fuel sustainable economic growth and help solve pressing social problems. The fruits of all our research must be able to access strong intellectual property protections.

Expertise in each of these areas—and more—lives within the Department of Commerce. The department brings together historically separate disciplines—trade, environment, telecommunications, and domestic economic development—that can only be effective if they are integrated. Commerce will have to sow the seeds of synergies by promoting testbeds for state and local governments, educational institutions, and American businesses. It is a repository of critical information—none more important than the 2010 census. The department's job is to ensure that information flows freely to those who can use it, and that science and data, not ideology, inform governmental decision making. The department's economic and statistical capacity and world-class analysis of climate change and oceanography will provide the basis for confronting some of the most challenging issues facing the United States.

We live in a time when nothing is more important than the American economy's ability to innovate, which has been our great strength for 200 years. Our comparative advantage in the newly globalized economy will lie in our ability to continue to create new ideas that bring value to workers and businesses, not natural resources or cheap labor. Yet the United States ranks seventh within the Organisation for Economic Co-Operation and Development countries, placing it behind Sweden, Finland, Japan, and others in the percentage of its gross domestic product (2.6 percent) that is devoted to research and development.³ And today, the United States has no specific innovation or productivity policy.⁴ The Bush administration believed that the government should have little role in supporting technological innovation; in fact, our history demonstrates the opposite. The new administration will have to change this mentality by spurring innovation and using applied research and advocacy to develop better governmental policies.

In sum, the department will have to leverage all its resources and work closely with local and regional economies to effectively bolster innovation. The new administration's role will be to facilitate the flow of information and assistance to local governments and U.S. businesses; integrate the various "stovepipes" of expertise needed to build comprehensive federal policies regarding international trade, global climate change, sustainable resources, and national innovation infrastructures; and use federal resources to encourage innovation—the only long-term means of securing a sustainable future for the United States.

The First 100 Days

The new president should immediately strengthen the Commerce Department's focus on energy and climate issues by charging his new National Energy Council (discussed in the White House section of this book) with the creation and implementation of a new strategic plan to tackle climate change and bring our nation closer to energy independence. As part of this effort, the new president should announce executive orders to create a Department of Commerce Climate Initiative and a National Institute for Standards and Technology Greenhouse Gas Initiative, which will provide data and analysis to support this administration-wide climate change effort.

The new plan would be a leadership strategy for an energy-efficient, low-carbon America that builds long-term prosperity and security through an economy that is both "green" and growing. Achieving this grand vision would require unprecedented coordination between the Commerce and Energy departments, the Office of the United States Trade Representative, the Environmental Protection Agency, the Office of Science and Technology Policy, the National Economic Council, and, of course, the new National Energy Council. The new president should announce this initiative as a centerpiece of his economic plan and ask the secretary of commerce to lead the administration's exploration into how businesses of all kinds and sizes can prosper in a sustainable economy.

The new president should subsequently announce the creation of the Department of Commerce Climate Change Initiative through an executive order. The initiative should fuse the expertise of the Commerce Department's National Oceanic and Atmospheric Administration, the National Institute of Standards and Technology, and the International Trade Administration. NOAA should establish a special Task Force on Climate to integrate the information and expertise it gathers through its National Weather Service and its oversight of coastal natural resources into an ongoing study designed to ensure that the nation's policymakers have access to the most current and accurate data on the effect of human activity on climate change.⁵

NOAA should give special attention to coastal regions. Fifty-five percent of the U.S. population lives within 50 miles of a coast and the population densities along the coasts are five times that of the national average.⁶ Sea levels are expected to rise anywhere between one-half and two meters during the 21st century. The Intergovernmental Panel on Climate Change reported that by 2080, over 30 percent of the world's coastal wetlands could be completely engulfed.⁷ Just a one-meter rise in sea levels could submerge between 5,000 and 10,000 square miles of dry land, with the southeastern United States bearing the large majority of the land lost. For example, the geography and coastal habitats of

the Chesapeake Bay, the nation's largest estuary, would be dramatically altered.⁸ And given coastal population density, the economic implications are even more daunting.

NOAA is uniquely positioned to provide data to coastal communities that can help them take effective local action, while giving decision makers at all levels of government a keener understanding of global trends. Its National Weather Service, in particular, can provide insight into climate change's potential effects on weather patterns, such as hurricanes in the Atlantic Ocean and Gulf of Mexico and inland tornadoes.

The new president should, at the same time, establish within the National Institute of Standards and Technology a Global Greenhouse Gas Initiative. NIST is the leading expert in creating standards and measurements. NIST should develop and promulgate measurements that will help us understand the greenhouse gas and carbon emissions that cause global warming—a critical next step in creating an effective climate strategy. NIST can also establish a research program on climate change standards, measurements, and processes; use the Institute's National Measurement Laboratories to conduct specified research on materials and manufacturing processes that are more energy efficient and will reduce greenhouse gas emissions; and utilize the National Voluntary Laboratory Accreditation Program to accredit its greenhouse gas production measurements. A critical component of the NIST efforts should be to create certification protocols that empower market mechanisms such as the emerging market in "carbon offsets."⁹

The Department of Commerce will also have to begin preparations for the next round of post-Kyoto global negotiations on climate change, scheduled for 2009 in Copenhagen, Denmark. The International Trade Administration should begin working immediately with the Office of the United States Trade Representative to minimize any conflicts between pending climate change legislation and our multilateral trade obligations and develop a strong positive trade policy.

The Regional Competitiveness Initiative

The Regional Competitiveness Initiative should empower local communities and businesses to work together to achieve a national objective: finding the best formulae for sustainable economic growth and innovation. Geographic regions have a proven track record for facilitating innovation, productivity, and high-paying jobs in growing companies. Yet current economic policy does not effectively utilize the potential of these regional clusters or their ability to work with local businesses.

The federal government should frame and facilitate, through funding and by sharing expertise, regional competitiveness strategies. The secretary should involve multiple departmental agencies in the formulation of this effort, including the Economic Development Administration, which manages Regional Development Accounts and can provide research and technical experience; the Minority Business Development Agency, which can help reach out and provide particular support for minority-owned businesses; the National Institute of Standards and Technology, home of the Advanced Technology Program and Manufacturing Extension Partnership; the National Telecommunications and Information Administration, which can provide leadership on broadband deployment policies; the International Trade Administration, which leads the Working Group on Manufacturing Competitiveness and can provide analysis of U.S. industries; and the U.S. Bureau of Economic Analysis and Census Bureau, which can provide analysis of economic conditions, including income-disparity and its effect on competitiveness. The entire department can, in essence, contribute needed expertise.

The new secretary should direct these agencies to recommend and draft in 90 days a regional innovation strategy that will form the basis of a new Regional Competitiveness Initiative. This initiative should place special emphasis on how the department can facilitate collaboration between local governments, educational institutions, and businesses, through competitive cost-sharing and a longer-term grant program.

A culture of learning and experimentation will be critical to the department's future success. As part of this, the secretary should convene key governmental and business leaders in 2010 to benchmark and share ideas for how the Regional Competitiveness Initiative can best be implemented at the local level and supported by the federal government. The summit should include successful "case studies" from regional competitiveness initiatives such as those implemented in South Carolina, Oregon, Maine, and California, and include a specific focus on energy-efficient and low-carbon technologies. A portion of this summit should be devoted to discussing the feasibility of the Economic Development Administration supporting an initiative for privately run microfinance programs built on the model of Grameen Bank's first location in New York City.

Trade Promotion

Expansion in the size and reach of global trade has made it more difficult for large segments of our industrial and manufacturing sector to compete in the global economy. The new administration will have to implement policies that empower U.S. businesses and industries to compete successfully. The front line

in this global competition is often composed of small businesses that have both the most to gain and the most to lose. Without the scale and international ties of their larger brethren, small- and medium-sized companies need assistance from all relevant federal agencies, working together as a single unit.

The new president should issue an executive order to reconstitute and strengthen the Trade Promotion Coordinating Committee, which is chaired by the secretary of commerce. The executive order should more clearly define the committee's mission, require federal agencies to more effectively share information among themselves and with U.S. businesses, and more effectively allocate personnel in the participant agencies, particularly the State and Commerce departments.¹⁰

The TPCC and its member agencies operate according to annual national export strategies that change from year to year. Yet there is no systematic means of evaluating the progress and effectiveness of these strategies. Objectives are transformed from year to year without any broad analysis of the previous years' work. Such analyses would not only be useful retrospectively; it would be enormously beneficial if shared between agencies and used to adapt and alter TPCC's objectives and strategies.¹¹

Secretarial Initiatives

The new secretary should move quickly to ensure that the department is ready to meet its existing responsibilities and can manage a wholesale integration of its strategic approaches. The secretary, immediately upon taking office, should appoint a deputy secretary to harness the department's interdisciplinary work in support of presidential and secretarial priorities. The deputy secretary should be given the job of ensuring that the department provides the information that governments and businesses need to create effective strategy; integrating the department's activities, especially in areas such as manufacturing where multiple parts of the department have expertise; and innovating the department's approach to creating, facilitating, and supporting economic growth initiatives. Only a departmental official with backing from the president and secretary can be successful in achieving these outcomes.

The new secretary should order a 30-day review of the U.S. Census Bureau's readiness for the 2010 census, with specific emphasis on information-technology tools and the evaluation performed by the Government Accountability Office in the spring of 2008.¹² This evaluation will help ensure that the 2010 census is the most accurate and advanced in our nation's history.

The secretary should also, in the first 100 days, instruct the patent and trademark commissioner to improve the federal government's strategic planning for

intellectual property protection. The International Intellectual Property Alliance found that global piracy cost U.S. copyright industries over \$13 billion annually in both 2004 and 2005.¹³ It is critically important that the new administration send the message that theft is not innovation. Strategic planning for IP protection will be the first step toward executing a comprehensive federal policy regarding the enforcement and protection of legally authorized intellectual property rights.

The secretary should work closely with Congress to implement the U.S. Commission on Ocean Policy's most important recommendations. An ecosystem-based oceans policy is vital to the U.S. economy and the global environment, and the Department of Commerce should begin establishing a strategy to help the nation reach the day when its oceans, coasts, and Great Lakes are "clean, safe, prospering, and sustainably managed."¹⁴ Regional governance issues should be addressed quickly so that other issues can also be addressed and a comprehensive oceans policy can be implemented based on guiding principles proposed by the commission. The secretary, with Congress, should instruct NOAA to conduct a scientifically based review of fisheries issues and fisheries management and report its conclusions within 90 days.

The First Year

The Bush administration terminated the Advanced Technology Program, one of the few civilian efforts that spans the gap between basic and fully realized commercial research and development. The new administration should work with Congress to reinstitute ATP and strengthen it by providing funding of at least \$200 million annually.

The department should use ATP to establish its national technology priorities and focus research on energy-efficient and environmentally sustainable technologies. The program will give grants to assist early stage businesses that would otherwise lack access to research and development funding. It should be reconstituted as a cooperative program, anchored by local colleges and universities who would award matching grants to the businesses and manage the program on a day-to-day basis. Individual ATP grants should be awarded through a competitive process administered by the colleges and universities who join the ATP program.

The new ATP should combine the talents of businesses, community-based educational institutions, and federal leadership to make a lasting contribution to U.S. competitiveness through leadership in technology and innovation. This new partnership approach will allow ATP to use applied research to help the nation meet its most pressing challenges, such as energy efficiency; to provide

community support and involvement through colleges and universities; to utilize business expertise in setting research and development priorities; and to generate positive spill-over effects in regional economies.

The National Broadband Agency

“Telecommunications” is a 20th century term associated with 20th century priorities. In the 21st century, our national priority is to assure that all Americans have access to affordable, high-speed Internet access over broadband networks. Congress should therefore rename the National Telecommunications and Information Administration the “National Broadband Agency” to demonstrate its new focus.

The NBA, as the president’s principal historical advisor on telecommunications policy, should be given the task of implementing a new initiative entitled “Broadband Access for All,” in addition to maintaining its previous responsibilities, especially with regard to the nation’s transition to digital television and the use of wireless spectrum. This initiative would be designed to provide federal facilitation and funding to efforts led by local governments and non-governmental organizations.

The National Broadband Agency would build upon past programs created by Congress and the initiative included in the Farm, Nutrition, and Bioenergy Act of 2008. The farm bill allocated \$25 million a year over the next five years to expand broadband access in rural areas. Though a step in the right direction, the farm bill left much to be accomplished in the future. Congress should bestow upon the NBA leadership of an expanded matching-grant program to facilitate cooperative public-private partnerships at the state and regional levels in urban, suburban, and rural America.¹⁵

The federal government should fund up to 500 communities annually over a five-year period at \$80 million per year to increase critical access to broadband, as well as provide underserved communities with mapping resources and incentives to build demand. Grants would be used to form public-private partnerships; 80 percent of funding would come from the federal government and the other 20 percent would come from funds at the state level. Grant proposals would be peer-reviewed, and evaluation and sharing of best practices would be built into the program. Eligible entities would be limited to five years of participation, with collaboration required among state agencies, service providers, relevant labor organizations, and community organizations.

This initiative would focus on both supply and demand barriers, recognizing that the use of broadband is as important as its deployment. This approach would allow for a wider view of broadband access challenges, one in which

social applications of the technology—in the health care and education fields, for example, are part of a comprehensive effort. Recent studies have demonstrated that broadband technologies can be an effective substitute for more energy-intensive activities—through teleworking, for example, or digital downloads of products that would otherwise require shipping and packaging.¹⁶ The NBA should work closely with the administration's larger energy initiative to ensure that an appropriate understanding of broadband technologies for these purposes is included within federal policies.

21st Century Manufacturing

Commerce houses considerable expertise in the field of manufacturing—a critical area of U.S. competitiveness and economic growth. Manufacturing jobs provide higher pay to workers, but they continue to fall as a percentage of U.S. employment, from 40 percent during World War II to around 12 percent today.¹⁷

The Manufacturing Extension Partnership currently leads the department's manufacturing efforts. Established in 1988, it consists of regional centers throughout the country that are designed to provide assistance for small- and medium-sized manufacturing companies through knowledge and technologies developed by the National Institute of Standards and Technology. MEP receives federal funding, as well as matching funds from non-federal sources. Funding levels for the program have dropped since fiscal year 1999, as is the case with many tech transfer programs. MEP funding was slashed 63 percent in FY 2004, but restored in FY 2005. The president's FY 2009 budget again sought a significant reduction of MEP funding.

Given the importance of manufacturing to U.S. competitiveness, Congress should create, and the Department of Commerce should administer, a new Advanced Manufacturing Initiative. The initiative should support "green manufacturing" by providing as much as \$1 billion a year over 10 years to foster green manufacturing in both small and large industry sectors. Large manufacturers in industries such as steel, chemicals, and automobiles are among the most energy intensive.

The federal government can hasten the transition to a cleaner, more energy-efficient economy by encouraging the development of green manufactured products and processes that would otherwise not have a real chance to come to market. These could include steel for a renewed power grid, fiber-optic cable for new broadband networks, nanotechnology that improves the efficiency of internal processes, and agriscience technologies and "green chemicals." Boosting productivity and positive environmental outcomes is essential to sustain-

able economic growth, especially at a time when energy costs are incentivizing manufacturers to keep jobs in America.

The initiative should also double the current funding of traditional MEP centers to \$180 million a year so that effective partnerships can be built with state and local governments to provide small and medium businesses access to the “best practices” of energy-efficient manufacturing. Without the scale of large manufacturers, small- and medium-size manufacturers may be inhibited in growing. MEP helped to maintain 50,000 American jobs in 2006, but more needs to be done.¹⁸

Congress should build on the collaborative model of the Advanced Technology Program by establishing, in league with the Regional Competitiveness Initiative, a federal counterpart to successful state efforts such as Michigan’s 21st Century Jobs Fund. The new Advanced Manufacturing Fund will support innovative companies that are prepared to invest in new technologies and the creation of advanced manufacturing jobs beyond the boundaries of the “green” manufacturing and MEP efforts. The Advanced Manufacturing Fund, alongside the Advanced Technology Program, will help fill the critical gulf between basic and fully commercialized research.

Longer-Term Agenda

The Department of Commerce’s leading initiatives each incorporate the essential qualities that will make the department a proving ground for more effective government—they spark and encourage innovation within the integration of diverse disciplines. As such, they are a form of innovation themselves. They create open ecosystems where learning is essential, experimentation yields further insights, and cooperation between governments and businesses is an important component of private competitive strategies.

The hallmark of such systems is that they are permitted to evolve, and that lessons from one region, sector, or time period are widely shared so that best practices can be adopted, and failure can be the basis for future success. To make this work, the department must be a force for innovation in its own activities and in its management of administration initiatives. That will require more than compliance with rules; it will require the department to incorporate the spark of ingenuity into its management of each effort and to undertake a relentless quest to demonstrate the flexibility and innovation that characterize America’s most successful businesses today.

Commerce should shift its thinking over time from a focus on trade to a deeper understanding of worldwide commerce in a globalized setting. Recent

events have demonstrated that non-trade factors can have important economic effects that ripple across the world's economies. Growth in demand in one part of the globe, for example, can lead to higher prices and shortages in goods and services in all of the rest. The goal should be to ensure that current trade policies are sized and shaped to advance future U.S. interests. The secretary should create a working group that recommends how the department's trade efforts can best meet this goal.

The recommendations should provide additional support and funding to enhance the department's ability to work with workers and businesses coping with globalization, including service companies. It should instruct the Bureau of Industry and Security to implement—and complete in 12 months—a review of its Control List, which consists of items that are subject to export control licenses. Items should be removed from the Control List that are widely available from foreign sources or are no longer relevant to our security. The department should launch a new trade enforcement program within the International Trade Administration that would work directly with small- and medium-sized businesses, assisting them in identifying trade violations such as illegal tariffs or subsidies. It should also launch a new Export America campaign focused on bringing the products and services of small- and medium-sized enterprises to the attention of our trading partners.

Any reforms to America's manufacturing industry must also address the effects of globalization and free trade. It is important that Commerce do its part through enforcing and further developing effective trade laws that will be beneficial to our own jobs and industries while maintaining our nation's commitment to open markets, as detailed in the chapter on the Office of the U.S. Trade Representative.

The 2010 Census and Beyond

One of the Commerce Department's foremost responsibilities is the management and execution of the U.S. census. The census requires accuracy, both for the dispersal of federal funds and to ensure that, as federal policies are made, every American is counted.

The department must review the Census Bureau's policy regarding "error." As with any broad survey, there needs to be an effective and rational policy concerning statistical inaccuracies. The census is in many ways inherently inaccurate in its attempts to count and record a massive number of constantly moving people. Such errors frequently manifest themselves in the form of field imputations wherein field operators—when faced with empty houses on their field visits—estimate household sizes without concrete information or knowl-

edge of the persons living there. Instances of field imputation were incredibly large in 2000—around 12 million—and they contributed greatly to some inaccurate results.

The Department of Commerce needs to begin an immediate review of their policies regarding error and, in a timely manner, implement an effective and coherent strategy that will help to reduce such problems as quickly as possible. Progress was made in 2000, but there are still important sectors of the population that are inaccurately represented. Such errors have been reported in the African-American, Asian, Hispanic, and gay and lesbian populations.¹⁹

The department should also explore the effective use of technology to improve the census. It should immediately consider re-implementing an Internet response option for the census questionnaires. Although the Internet was used and cited as a “success” in the 2000 census, the Census Bureau has failed to adopt such a strategy for 2010 even though studies from around the world and in the United States have shown that the Internet is a reliable and effective tool for census studies. The Information Technology and Innovation Foundation found that just a 20 percent response rate for questionnaires filled out on the Internet would save \$35 million.

When planning for the long term and the 2020 census, the Census Bureau should look into adopting a “national community survey” whereby census questionnaires would be rolled into a monthly panel survey, similar to how we currently calculate national unemployment rates. Though greater research and investigation needs to be done in this regard, there exists a definite opportunity to implement a cost-effective and accurate strategy.

Department of Labor

Promoting Opportunity While Protecting Worker Rights

EDWARD MONTGOMERY

The Department of Labor should play a central role in the new administration's efforts to expand the middle class and protect the rights of working Americans. DOL can begin to do this immediately by effectively enforcing labor and safety laws already on the