

**OPENING STATEMENT**  
**The Honorable Ben Quayle (R-AZ), Chairman**  
**Subcommittee on Technology and Innovation**  
*Creating and Growing New Businesses: Fostering Innovation*

November 2, 2011

Good Morning. Before we get started I would like to take a moment to welcome Congresswoman Donna Edwards of Maryland to her new role as Ranking Member of this Subcommittee. I look forward to working with you and your staff in the 112<sup>th</sup> Congress.

The goal of today's hearing is to learn more about U.S. startup companies, which are engines of both transformative innovations and job creation. We will be hearing testimony on the obstacles impeding entrepreneurs from starting a new company from scratch or from expanding a fledgling company to a place of rapid growth.

As this Subcommittee sits at the intersection of technology and innovation, we are uniquely positioned to address topics affecting competitiveness of emerging high-growth industries. Today's discussion is the second in a series focused on advancing U.S. innovation in a constrained budget environment. Earlier this fall we held a hearing on the opportunities and challenges of cloud computing. In the coming months, it is my intention to address a range of topics including the role of standards in international trade, the importance of collaborative research partnerships in the innovation ecosystem, and new developments in wireless communications. In these difficult times, it is important that we continue to empower our nation's innovators to maintain our economic competitiveness.

Entrepreneurs and new businesses have played a vital role in advancing both job creation and innovation in our country. Over the last three decades, new businesses have created nearly 40 million jobs and have been responsible for nearly all net new job creation. New businesses also facilitate the spread and adoption of innovation because they are more likely to seize new developments in order to create market niches for themselves.

From our founding, the United States has always cultivated the entrepreneurial spirit of its citizens, recognizing the vitality new businesses bring to commerce. Economist Robert Solow was awarded the Nobel Prize for his work demonstrating how economic innovation was the most powerful factor driving our country's growth and productivity in the 20<sup>th</sup> century. The public and private sectors have worked to support entrepreneurship by facilitating new business formation, access to capital, and financial rewards for success. In turn, these new businesses have added significantly to the growth and dynamism of our economy.

Unfortunately, recent studies have found that the environment for new businesses has grown increasingly unfavorable. In the past three years, the number of new businesses launched has fallen 23 percent. Recently, the World Bank's "Doing Business" report showed that the U.S. has dropped in the ease of starting a business category from 3<sup>rd</sup> to 13<sup>th</sup> since 2007. Capital investment in startup companies has decreased, and far fewer small companies are holding initial

public offerings. But, as some of our witnesses may testify today, a number of these challenges predate the economic downturn of the last few years.

The continued decline in new business formation and growth puts our nation's job creation and innovative capacity at risk.

Recognizing this link between startup businesses, innovation and job creation, the Subcommittee is interested in hearing from today's witnesses about the environment for new business formation, and obstacles preventing entrepreneurs from forming new companies and accelerating their growth. This is a difficult question to answer, given our current budgetary challenges, so I especially hope to hear from our witnesses examples of what the federal government can do to eliminate barriers to entrepreneurship, in addition to any other creative ideas they may have.

I'd like to extend my appreciation to each of our witnesses for taking the time and effort to appear before us today. We look forward to your testimony.