

Why Can't We Innovate Ourselves Out of This Hole?

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I recently read a report by the U.S. General Accounting Office of the Office of Management & Budget (OMB) that seems to officially confirm what almost every technology company in the U.S. already seems to know. (You may read it here: www.gao.gov/new.items/d10627.pdf [1])

In a nutshell, this report blows the whistle on just how screwed up the Department of Energy (DOE) guaranteed loan program really is. Most notably, it talks about obvious favoritism, the lack of accountability, and the void of due process for appeals and rebuttals.

In discussing this with my editor, he sent me to a [great article](#) [2] from Darryl Siry on how the DOE stifles innovation in which he makes a strong argument that DOE grants and other types of government intervention actually stifle innovation. One of the comments made at the end of that article really got me thinking:

*"Good article. The premise is sound [sic], but the proposed solution in the end just doesn't make sense. How much money can the DOE possibly afford in being "less selective" and "start spreading the love"? Hey, why not just give *everybody* billions of dollars, and then we'll all be happy!*

"Here's another free-market approach: Remove all financing. Yes, the amount of investment capital can be daunting, but this just means that the innovators will have to work harder, and only the most innovative and likely to succeed projects will be given money from venture capitalists (VC) or other investors.

"The government should not be in the business of being a VC. It has no business deciding which businesses should succeed and which shouldn't, based on who is developing technology that they think is good or right.

"Let the free market do its thing, and we'll see the same kind of innovation that made this country the greatest country in the history of the world."

It got me thinking (which, of course, usually gets me writing) about this recession and how wide the perception is that America will once again take the lead in world-wide technology, build up our manufacturing infrastructure and once again become top dog in the world economy.

As my mind wanders back over the last 20 years, I recall how all we heard from academia is that "the U.S. is falling behind every other industrialized nation," and that over the "next 20 years, we are going to need more and more engineers," and we will "need them in droves."

So we did what they told us to do — the universities started pumping out engineers left and right.

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Well, in case you live in a cave, I have a news flash for you: The demand for them never materialized and the majority of these degreed engineers never found work as a true engineer right out of college.

Many did go on to skilled technician jobs in hopes of filling a retiring engineer's slot, but if they stuck around that long, they found out that those slots were usually closed when the new retiree retired. I know, I know — a lot of them did find work as an engineer (about one in five of my co-ops did), but long gone are the days when every graduating engineer had a job waiting for him or her after he or she walked across the stage and off with his or her diploma (like my generation did 30 years ago).

This is not so much the case in Europe (where every one of my co-op students had jobs waiting for them), but here in the U.S., many of our graduates went on to continue living at home with their parents for another four to six years before finding something to get out the door.

Consider that there are very few 15+ year experienced engineers left in engineering positions here in the U.S., and you can see why true, successful innovation has little to run on.

Couple that with the fact that, here in the U.S., there is more profit to be made in making money with money in the financial sector, rather than with making money with an engineered product. (No, I don't consider a better golf shaft or a cheaper house fan an engineered product.) And you see why true, inventive, commercial industry-building innovation doesn't stand a chance in getting the funding it needs to build a manufacturing economy.

The bean counters would rather us make something they can sell at Wal-Mart than see us make a new form of transportation or a better electrical generator — there's just no money in it anymore.

So therein lies the dilemma: How can the U.S. innovate itself back to productivity if the only product that anybody wants to finance is either:

1. One that can be designed, tested, deemed liability proof, manufactured and sold by the millions (all within a few years time).
2. A product that reaps more profit than something being sold at Wal-Mart.

The short answer is, "You can't." The aforementioned manufactured product needs to be made offshore (in order to generate the profits expected by the investors), or the product is a high-yield financial transaction that involves investing in other financial institutions or securities.

Simply put, right now in the U.S., it's more profitable to make money with offshore mass production or to make money with money, but the market for selling mass-produced products is slowly disappearing. Everyday, making money with money is

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the surest way to invest.

Until the rules that govern the economy fundamentally change, and we make it more profitable to make money with manufacturing, we will not see innovation dig us out of this hole. After all, there is only so much money to go around, and it isn't chasing after innovation, that's for sure.

What's your take? Please feel free to leave a comment below, or for more information, please email [EV World & Associates LLC](mailto:EVWorld&AssociatesLLC) [3] or Brace via techeditor@evworld.com [4].

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Links:

[1] <http://www.gao.gov/new.items/d10627.pdf>

[2] <http://green.autoblog.com/2009/12/07/darryl-siry-how-the-energy-department-stifles-innovation>

[3] <mailto:EV%20World%20&%20Associates%20LLC>

[4] <mailto:techeditor@evworld.com>