

**STATEMENT OF HAROLD MCGRAW III**

**CHAIRMAN, PRESIDENT AND CEO  
THE MCGRAW-HILL COMPANIES, INC.**

**CHAIRMAN OF BUSINESS ROUNDTABLE**

**BEFORE THE**

**COMMITTEE ON SCIENCE AND TECHNOLOGY**

**OF THE**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**ON**

**MARCH 13, 2007**

**STATEMENT OF HAROLD MCGRAW III  
CHAIRMAN, PRESIDENT AND CEO OF THE MCGRAW-HILL COMPANIES, INC.  
CHAIRMAN OF BUSINESS ROUNDTABLE**

**BEFORE THE  
COMMITTEE ON SCIENCE AND TECHNOLOGY  
OF THE  
UNITED STATES HOUSE OF REPRESENTATIVES**

**MARCH 13, 2007**

Mr. Chairman, Ranking Member Hall, Members of the Committee. Good afternoon. My name is Terry McGraw, Chairman, President, and CEO of The McGraw-Hill Companies.

I welcome the opportunity to appear before you today to address the vitally important issues of innovation and competitiveness not only on behalf of The McGraw-Hill Companies, but also as Chairman of Business Roundtable.

The McGraw-Hill Companies is a global information services provider headquartered in New York. We employ 20,000 people in 280 offices in 40 countries worldwide. You know us best through the McGraw-Hill imprint in education, Standard & Poor's, J.D. Power and Associates and *Business Week*.

Business Roundtable ([www.businessroundtable.org](http://www.businessroundtable.org)) is an association of chief executive officers of leading U.S. companies with \$4.5 trillion in annual revenues and more than 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock markets and represent over 40 percent of all corporate income taxes paid. Collectively, they returned \$112 billion in dividends to shareholders and the economy in 2005.

Roundtable companies give more than \$7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with \$90 billion in annual research and development spending – nearly half of the total private R&D spending in the U.S.

Both McGraw-Hill and Business Roundtable are passionate about innovation. In 2005, Business Roundtable, together with fourteen other national business associations, created the Tapping America's Potential campaign, or TAP, with the goal of doubling the number of American science, technology, engineering and mathematics graduates with bachelor's degrees by 2015. We believe that expanding the talent pool is a critical element – perhaps *the* critical element – of the innovation agenda that America must pursue in order to remain competitive in the 21st Century.

The McGraw-Hill Companies has a deep commitment to education and lifelong learning. In our rapidly changing and highly competitive world, every individual – young and old alike – needs a roadmap, a Global Positioning System if you will, to find their way. Not to find a location on a map or to provide driving directions, but to chart a course to succeed in our increasingly globalized society. Both business and government need to help every American locate avenues to continually upgrade their skills and knowledge. But it is a two-way street – every American also needs to recognize the importance of lifelong learning. For students it is

particularly important to help them understand the important role that science, technology, engineering and math play in keeping routes open in their own global positioning system.

The McGraw-Hill Companies believe that education and lifelong learning are essential for a better life for all Americans. In the broader sense, education also is essential for a brighter future for America. U.S. Census data tells us that people with bachelor's degrees have more than twice the average annual earnings of those with only a high school diploma and three times more than high school dropouts.

Business Roundtable endorses the Science and Technology Committee's bills, H.R. 362, *"10,000 Teachers, 10 Million Minds" Science and Math Scholarship Act*, and H.R. 363, *Sowing the Seeds Through Science and Engineering Research Act*. These bills, if enacted, would provide critical support for the foundations of America's innovation system. They represent essential components of a broader innovation and competitiveness agenda that Business Roundtable believes must be enacted this year. I commend the Committee for moving the legislation forward. Now, let me tell you why I think that is so important.

The U.S. economy stands at a critical juncture. While the United States is still the world's economic leader, that lead is slipping.

- Powerful global economic rivals have emerged, some of which were minor competitors only a decade ago.
- These competitors are investing in innovation. For example, China more than doubled its research and development spending as a percentage of gross domestic product (GDP) from 0.6 percent in 1995 to 1.4 percent today. This, during a time of very rapid GDP growth.
- Meanwhile, in the United States, federal support for research has declined relative to the size of the economy. In business, we think of research as an investment that should be pegged to sales or annual revenue, but federal funding for research and development has declined from 1.25 percent of GDP in 1985 to 0.75 percent today. Imagine if a high tech company, for example, invested in R&D at such a rate. Shouldn't we be investing in our children's future at a high tech rate, or at least at a greater rate than we do now?
- The demands of the workplace are increasing. The number of jobs requiring technical training is growing at *five times* the rate of non-technical occupations.
- But the U.S. educational system is not keeping pace. More than half of U.S. students entering college will drop out before earning a degree. The United States ranks 17<sup>th</sup> in the world in the proportion of the college-age population earning a science or engineering degree.
- And just a few weeks ago, the most recent data from the National Assessment of Educational Progress exams revealed that high school seniors' reading performance over the past decade actually declined. And according to the NAEP, less than one quarter of seniors perform at their grade level or above in math.

The American people understand that the competitive landscape is changing. A poll commissioned by Business Roundtable in late 2005 showed that Americans are confident about the competitive position of the United States today, but unlike a decade ago when they believed that the United States would continue to be the world's economic leader, Americans now think that the United States will lose its competitive advantage in the future.

Like the public at large, Business Roundtable CEOs do not take America's leadership position for granted. Because our companies' operations are global, we see firsthand how rapidly other countries are improving their competitive position. Business Roundtable is confident of America's ability to compete and win in global markets but we know that past success is no guarantee of future performance.

Today's competitiveness challenge is about maintaining the higher standard of living Americans have come to expect in a flatter world with more nimble competitors. That means creating more high-wage jobs in high-value-added industries here in America. And it means preparing all of our citizens to compete and succeed in the global economy.

The key to America's competitiveness challenge is innovation. Technological innovation drives productivity growth. It creates new products and processes – even whole new industries – thereby generating high-wage employment and a higher standard of living for all Americans. Productivity gains have enabled the U.S. economy to grow in recent years at rates that previously had been considered likely to trigger inflation. The recent strong growth, low inflation environment is attributable to the extraordinary gains in productivity that the U.S. economy has enjoyed since the mid 1990s.

Economists estimate that fifty percent of productivity growth comes from innovation. A study by economists Kevin Hassett and Robert Schapiro found that the value of ideas and innovation generated by the U.S. economy is more than \$5 trillion a year – some 42 percent of our GDP.

The wellsprings of innovation require constant nurturing, and maintaining U.S. innovation leadership demands hard work and investment.

We can meet this challenge.

Frankly, as a nation we have been too complacent. It has been 18 months since the National Academies released the *Gathering Storm* report. In addition, nearly two years ago, Business Roundtable and 14 other national business associations issued the *Tapping America's Potential* report that contained recommendations to double federal investments in fundamental research, reform visa and green card policies to welcome the best and the brightest from around the world, and improve U.S. K-12 math and science education by focusing on recruiting and training a greater number of qualified teachers.

As I mentioned earlier in my testimony, the Tapping America's Potential campaign adopted one strategic and overarching goal: to double the number of science, technology, engineering and mathematics graduates with bachelor's degrees by 2015.

It is time to pass legislation and start implementing the recommendations. We appreciate the good work this Committee is doing to press forward.

Innovation is all about talent. In world where natural resources, capital, and unskilled labor are all globally available, it is well-educated, skilled, and creative individuals who make the difference in economic performance. That is why Business Roundtable and our TAP campaign partners have focused on education as the first among equals of the key elements of the business community's innovation recommendations. More than any other aspect of our innovation system, education is the potential Achilles heel for future U.S. economic competitiveness.

Mr. Chairman, as you know, America's competitiveness challenge has galvanized the business community. Just this afternoon, a broad coalition of American business and higher education leaders released the *American Innovation Proclamation*, which calls upon Congress to enact an innovation agenda to:

- One, renew America's commitment to discovery by doubling basic research at four key federal science agencies.
- Two, improve U.S. student achievement in math and science through increased funding of proven programs and incentives for math and science teacher recruitment and professional development.
- Three, welcome highly educated foreign professionals, particularly those holding advanced science, technology, engineering, or mathematics degrees, especially from U.S. universities, by reforming U.S. visa policies. We need to boost the number of H-1B visas beyond the very low level of only 65,000.
- And four, make permanent a strengthened R&D tax credit to encourage continued private-sector innovation investment.

I am proud to be a signatory on this proclamation, along with some of my fellow panelists here. I believe that it embodies the right agenda for America. It is a positive agenda, which, if enacted, would open up new opportunities for America and her citizens. Of course, there are additional agenda items that Congress must address to ensure U.S. competitiveness. They include opening access to new markets, reducing health care costs, and reauthorizing a strengthened *No Child Left Behind Act*, among others. However, I will save that discussion for another day.

It is worth noting that the forces driving economic integration and global competition were all invented here. More than any other country, the United States created the conditions for global economic growth driven by accelerated technological innovation. America is in the best position to take advantage of the changing competitive landscape as long as we recognize the challenges we face and make the investments required to succeed in the new environment.

Mr. Chairman, it is up to us to ensure that the 21st Century is the next American Century. With your help, and the help of all of the Members of the Committee on Science and Technology, we will do just that.