

**By Rep. Rush Holt**

Imagine a New Jersey manufacturer that, in the middle of the last century, rose to prominence as a premier supplier of vacuum tubes for hi-fi radios. What do you suppose that company looks like today?

You're probably picturing an industrial dinosaur — a business that may have employed hundreds of Americans decades ago but has now shriveled into irrelevance, perhaps outsourcing its little remaining work to China. Yet that is not the story of MICRO in Somerset. Rather than following the vacuum tube into extinction, MICRO evolved. It plowed much of its profits into research and development, and today it employs 300 New Jerseyans to build medical devices and aerospace parts for customers all around the world.

MICRO's story is in some ways extraordinary, but its renewal is far from unique. In fact, American manufacturers have experienced 21 straight months of growth and created 152,000 new jobs in the past year. Most of these are middle-class jobs that pay well — exactly the jobs our economy needs.

At a time when more than 20 million Americans are out of work or unemployed, what lessons can we learn from these resurging businesses? As I saw recently when I toured small and mid-sized manufacturers across central New Jersey, the defining characteristic of success is the capacity to innovate. After all, consumers may no longer demand vacuum tubes, but the same skills and equipment that produced those outdated parts can be adapted to the modern world.

Even companies that seem far removed from high-tech fields must innovate to survive. Consider Ranger Industries in Tinton Falls, which employs 70 workers to manufacture inks and glues for arts hobbyists. Glue may seem immune to innovation, but the company's CEO is quick to say that the art market changes rapidly. Products that were in high demand last spring may fall out of favor by winter. To keep up with their customers' ever-changing tastes, Ranger Industries employs a full-time chemist and two lab assistants to develop new products.

Not only can innovation create jobs, but it can reform entire industries in ways that make them more efficient, more environmentally friendly and more competitive. Homasote Company, in Ewing, is the country's oldest manufacturer of building products made from recycled materials. Each day, it converts 100 tons of post-consumer paper from waste into fiberboard that is used in residential and commercial construction. In fact, if you recycle the newspaper that you are now holding in your hands, it most likely will become part of a Homasote product. The process benefits the environment – it saves a half-million trees every year – and just as important, it helps to make the company economically competitive by allowing it to turn cheap waste into valuable construction materials. Homasote continues to innovate by finding new ways to speed up the process of drying the pulp used in its products.

Congress cannot mandate innovation, but it certainly can foster conditions that encourage new ideas. For example, decades ago, Congress established a tax credit for research and development. Yet that credit is typically extended on a year-to-year basis, denying businesses the tax certainty they need to make long-term investments. Of equal concern, tax credits are useful only to companies that are already profitable enough to pay taxes. As such, they are of little use to the startups responsible for creating most new jobs.

To address these problems, I have introduced legislation to make permanent the R&D tax credit, as well as to allow growing businesses to sell their tax credits on the marketplace. These are only first steps, and we can and should take others: reforming the patent system to support inventors, for example, and supporting Manufacturing Extension Partnerships that help private businesses make use of inventions developed in federal labs. We also could create a tax credit for investors who support research-intensive small businesses, which are likely to be the source of many new ideas and new jobs in the decades ahead.

Congress can also promote innovation by investing in a highly educated work force. Last month, the Federal Reserve Bank of New York asked regional manufacturers how much difficulty they were having in finding skilled workers. Companies reported significant challenges in finding workers with skills ranging from basic math and English to advanced computer skills. By investing in education both for laid-off workers and for current students, we can help to provide these companies with the highly qualified workers they need to compete.

All of these ideas for creating jobs recognize the same truth: Even in these difficult times, innovation is the engine that powers the American economy. Congress can and should help to fuel its fire.

