

STATEMENT OF BILL GATES, CHAIRMAN,
MICROSOFT CORPORATION, SEATTLE, WASHINGTON

**Committee on Health, Education, Labor and Pensions
United States Senate**

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Mr. Gates. Well, thank you, Senator Murray, for that kind introduction and for your leadership on education and so many other issues that are important to Washington State and the Nation.

Chairman Kennedy, Ranking Member Enzi, members of the committee, I'm Bill Gates. I'm the chairman of Microsoft Corporation. I'm also a co-chair with my wife, Melinda, of the Bill and Melinda Gates Foundation. It's an honor for me to appear before you today and to share my thoughts on the future of American competitiveness.

Any discussion of competitiveness in the 21st century must begin by recognizing the central role that technology and innovation play in today's economy. The United States has a great deal to be proud of in this respect. Many of the most important advances in computing, healthcare, telecommunications, manufacturing, and many other fields have originated here in the United States. Yet, when I reflect on the state of American competitiveness, my feeling of pride is mixed with deep anxiety. Too often, it seems, we're content to live off the investments previous generations made and that we're failing to live up to our obligation to make the investments needed to make sure the U.S. remains competitive in the future. We know we must change course, but we have yet to take the necessary steps.

In my view, our economic future is in peril unless we take three important steps.

First, we must equip America's students and workers with the knowledge and skills they need to succeed in today's economy.

Second, we need to reform our immigration policies for high-skilled workers so that we can be sure our workforce includes the world's most talented people.

And third, we need to provide a foundation for future innovation by investing in new ideas, and providing the framework for capturing their value.

Today, I would like to address these three priorities.

First and foremost, the U.S. cannot maintain its economic leadership unless our workforce consists of people who have the knowledge and skills needed to drive innovation. The problem starts in our schools with the great failure taking place in our high schools.

Consider the following facts. The U.S. has one of the lowest high school graduation rates in the industrialized world. Three out of ten ninth-graders do not graduate on time. Nearly half of all African-American and Hispanic ninth-graders do not graduate within 4 years. Of those who do graduate and continue on to college, nearly half have to take remedial courses on material they should have learned in high school.

Unless we transform the American high school, we'll limit the economic opportunity for millions of Americans. As a nation, we should start with the goal of every child in the United States graduating from high school. To achieve this goal, we need to adopt more rigorous standards and set clear expectations. We must collect data that will enable students, parents, and teachers to improve performance. And if we are going to demand more from our students, we'll need to expect more from teachers. In turn, we must provide teachers the support they need, and we must be willing to reward those who excel. The Teacher Incentive Fund is an important first step.

Making these changes will be hard, but positive change is achievable. I know this through my work with the Gates Foundation and our education partnerships throughout the country, and through Microsoft's education initiatives, including in our Partners in Learning Program. I mentioned several examples of progress in my written testimony, but let me mention three, in particular.

The Philadelphia School District joined with Microsoft to create a 750-student School of the Future, which opened last September. This public high school is rooted in the vision of an empowered community where education is continuous, relevant, adaptive, and incorporates best-in-class technology in every area of learning.

Second, New York City has opened almost 200 new schools in the last 5 years, with many replacing the city's most underperforming schools. Our Foundation supports this effort through advocacy and grantmaking. The first set of new schools achieved an average 79-percent graduation rate, compared to graduate rates ranging from 31 to 51 percent at the schools they replaced.

Early-college high schools are perhaps the most innovative initiative underway nationally. The approach is to recruit low-performing students to attend high schools that require enrollment in college courses. The results are astounding. Currently, there are more than 125 early-college high schools in operation around the country. So far, more than 95 percent of the first class of ninth-graders of the original three early high schools have graduate, and over 80 percent of students have been accepted into 4-year colleges.

Such pockets of success are exciting, but they're just the start. Transforming our education system will take political leadership, broad public commitment, and hard work. This committee has done very important work in this regard. And, as you consider legislation during this Congress, there are opportunities to build on this work.

The challenges are great, but we cannot put them aside. That is why our Foundation

has joined with the Broad Foundation to support the Strong American Schools Partnership. This is intended to inspire American people to join an effort that demands more from our leaders and educators on ensuring that our children benefit from good teachers, high expectations, and challenging coursework.

A specific area where we're failing is in math and science education. In my written testimony, I detail concerns about the alarming trends in elementary and secondary schools. We cannot sustain an economy based on innovation unless we have citizens well educated in math, science, and engineering. Our goal should be to double the number of science, technology, and mathematics graduates in the United States by 2015. This will require both funding and innovative ideas. We must renew and reinvigorate math and science curricula with engaging, relevant content. For high schools, we should aim to recruit 10,000 new teachers and strengthen the skills of the existing teachers. To expand enrollment in post-secondary math and science programs, each year we should provide 25,000 new undergraduate scholarships and 5,000 graduate scholarships.

America's young people must come to see science and math degrees as key to opportunity. If we fail at this, we won't be able to compete in the global economy.

Even as we need to improve our schools and universities, we cannot lose sight of the need to upgrade the skills of people already in our workforce. Federal, State, and local governments and industry need to work together to prepare all of our workers for the jobs required in the knowledge economy. In the written testimony, I highlight some of Microsoft's work during the past decade to provide IT skills training to United States workers, such as our Unlimited Potential Program. We're working with other companies, industry associations, and State agencies to build a workforce alliance that will promote the digital skills needed to strengthen U.S. competitiveness.

As a nation, our goal should be to ensure that, by 2010, every job-seeker in the United States workforce can access the education and training they need to succeed in the knowledge economy.

The second area I want to -- one I want to particularly underscore today -- is the need to attract top science and engineering talent from around the globe to study, live, and work in the United States. America's always done its best when we bring the best minds to our shores. Scientists, like Albert Einstein, were born abroad, but did great work here, because we welcomed them. The contributions of such powerful intellects have been vital to many of the great breakthroughs made here in America.

Now we face a critical shortage of scientific talent, and there's only one way to solve that crisis today. Open our doors to highly talented scientists and engineers who want to live, work, and pay taxes here. I cannot overstate the importance of overhauling our high-skilled immigration system. We have to welcome the great minds in this world, not shut them out of our country.

Unfortunately, our immigration policies are driving away the world's best and brightest, precisely when we need them the most. The fact is that the terrible shortfall in the visa supply for highly skilled scientists and engineers stems from visa policies that have not been updated in more than 15 years. We live in a different economy now, and it makes no sense to tell well-trained, highly-skilled individuals, many of whom are educated at our top universities, that they're not welcome here.

I see the negative effect of these policies every day at Microsoft. In my written testimony, I discuss some of the shortfalls of the current system.

For 2007, the supply of H1-B visas ran out 4 years before the fiscal year even began. For 2008, they will run out even earlier, well before degree candidates' graduate. So, for the first time ever, we will not be able to seek H1-Bs for this year's graduating students. The wait times for green cards routinely reach 5 years, and are even longer for scientists and engineers from India and China, key recruiting grounds for skilled, technical professionals.

The question we must ask is, how do we create an immigration system that supports the innovation that drives American growth, economic opportunity, and prosperity? Congress can answer that question by acting immediately in two significant ways. First, we need to encourage the best students from abroad to enroll in our colleges and universities, and to remain here when they finish their studies. Today, we take exactly the opposite approach.

Second, we should expedite the path into our workforce and into permanent-resident status for highly-skilled workers. These employees are vital to American competitiveness, and we should encourage them to become permanent U.S. residents. They can drive innovation and economic growth alongside America's native-born talent.

Finally, maintaining American competitiveness requires that we invest in research and reward innovation. Our Nation's current economic leadership is a direct result of investments that previous generations made in scientific research, especially through public funding of projects in government and university research laboratories.

American companies have capitalized on these innovations, thanks to our world-class universities, innovative policies on technology transfer, and pro-investment tax rules. These policies have driven a surge in private-sector research and development.

While private-sector research and development is important, Federal research funding is vital. Unfortunately, while other countries and regions, such as China and the European Union, are increasing their public investment in R&D, Federal research spending in the United States is not keeping pace. To address this problem, I urge Congress to take action.

The Federal Government should increase funding for basic scientific research. Recent expansion of the research budgets at the Department of Energy and National Science

Foundation is commendable, but more must be done. We should also increase funding for basic research by 10 percent annually for the next 7 years.

Second, Congress should increase and make permanent private-sector tax credits for R&D. The United States ranks 17th among OECD nations in the tax treatment of R&D. Without a renewed commitment to R&D tax credits, we may drive innovative companies to locate their R&D operations outside the United States.

We must also reward innovators. This means ensuring that inventors can obtain intellectual property protection for their innovations, and enforce those rights in the marketplace.

America is fortunate that our leaders recognize the importance of intellectual property protection at home and abroad. I know I join many other Americans in thanking this Congress and this administration for their tireless efforts to promote such protection.

The challenges confronting Americans -- America's competitiveness and technological leadership are among the greatest we have faced in our lifetime. I recognize that conquering these challenges will not be easy, but I firmly believe that, if we succeed, our efforts will pay rich dividends for all Americans. We've had the amazing good fortune to live through a period of incredible innovation and prosperity. The question before us today is, Do we have the will to ensure that the generation that follows will also enjoy the benefits that have come with economic leadership? We must not squander this opportunity to secure America's continued competitiveness and prosperity.

Thank you, again, for this opportunity to testify. I welcome your questions on these topics.