

TESTIMONY OF STEVE CASE
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BEFORE THE U.S. SENATE COMMITTEE ON THE JUDICIARY
HEARING ON “COMPREHENSIVE IMMIGRATION REFORM”
216 HART SENATE OFFICE BUILDING
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Chairman Leahy and members of the Committee:

Thank you for the invitation to share my perspective on an issue central to our history and critical to our future.

I appear before you today as an entrepreneur who founded and built America Online just a few miles from the Capitol; as an investor through my company Revolution where we mentor and support entrepreneurs across the United States; as a civic leader working on public policy and private sector initiatives focused on improving the environment for entrepreneurs to start and grow companies; and as a colleague and friend of talented immigrant-entrepreneurs and innovators who devote themselves to their companies and contribute to our country. Working across industries for three decades I have seen firsthand the effects of both smart and misguided policies on our businesses, our communities, and our nation’s economic competitiveness.

To understand this debate in context, it is necessary to remember that the story of America is in part the story of entrepreneurs who settled this land seeking a better life and who through grit, hard-work, and creativity built companies, cities, and whole new industries that power the strongest economy the world has ever known.

Our country did not become the leading economy by luck or accident. Iconic, Fortune 500 companies such as Intel, DuPont, and Google that employ thousands of Americans who deliver goods and services around the world did not simply come to be one day. Revered American cities like New York, Chicago, and Los Angeles that showcase our cultural, artistic, and

economic might did not sprout up out of chance. New industries for telephones, airplanes, and the Internet that improve the way we live our lives were not randomly conceived.

It was the work of pioneering entrepreneurs - beginning with the country's earliest settlers, our nation's first immigrant entrepreneurs - who took a risk hoping to turn dreams into businesses. From the mom and pop bakery on Main Street to fast-growing tech companies like Facebook, the primary drivers of our economic growth have been and will continue to be startup businesses that create value, generate revenue, produce jobs, spur innovation, and expand the tax base. According to the Kauffman Foundation, in the past three decades startups less than five years old created almost 40 million American jobs - all the net-jobs created during that period.

And from the earliest days, immigrant entrepreneurs started some of America's most celebrated enterprises. U.S. Steel, Pfizer, Kraft Foods, Honeywell, AT&T, Yahoo!, and Goldman Sachs were all started by immigrants. Today, 40 percent of Fortune 500 companies in the United States were started by immigrants or the children of immigrants, employing 10 million people across the globe and doing \$4 trillion in revenue. Of the 10 most valuable brands globally, seven of them come from American companies founded by immigrants or their children. In the past 15 years, immigrants founded one quarter of U.S. venture-backed public companies.¹

Statistics show that immigrants are almost twice as likely as U.S.-born workers to start a company. Between 1995 and 2005, half of Silicon Valley startups had an immigrant founder. In 2005 alone, those businesses achieved \$52 billion in sales supporting 400,000 jobs. In 2011, more than three-quarters of the patents filed at the top ten patent-producing U.S. schools had an immigrant inventor. Of the 1,600 computer science PhD graduates from our universities in 2010, 60 percent were foreign students.²

¹Partnership for a New American Economy, "The 'New American' Fortune 500" (2011). Available at <http://www.renewoureconomy.org/sites/all/themes/pnae/img/new-american-fortune-500-june-2011.pdf>

²Partnership for a New American Economy, "Fact Sheet." Available at <http://www.renewoureconomy.org/sites/all/themes/pnae/img/facts.pdf>

And this is not just about technology companies. When Hamdi Ulukaya, an immigrant from Turkey told friends that he was going to start a yogurt company in upstate New York in 2005, they advised against the idea. But Hamdi was adamant. He hired four employees to begin packaging yogurt by hand, and eight years later Chobani Yogurt generates \$1 billion in sales, has hired 1,500 American workers, and is expanding operations across the country.³

Mr. Chairman, high-skilled immigrants have always been job creators, not job takers. They have been a valuable source of creativity and innovation helping to build the most diverse and entrepreneurial economy in the world. The mistake that opponents of immigration reform make is believing that our society and economic growth are zero sum. They are not. More talented immigrants joining the American family does not equate to fewer jobs, it equates to more jobs.

Others argue that instead of allowing more high-skilled immigrants to stay we should instead focus on better training and STEM education for America's youth. This is a false choice. We can and must do both: draw the best talent from across the globe, and develop more talent in science, math, technology, and engineering here at home. We must bolster U.S. STEM education by giving teachers and students the tools they need. But we also need to be a magnet for talented entrepreneurs and engineers from other countries. It is not the case that an increase in foreign talent will increase unemployment for native workers. Studies show that from 2000 to 2007, every 100 additional foreign-born workers in STEM fields created 262 additional employment positions for native U.S. workers.⁴

In recent years, our nation's entrepreneurial edge has been slipping away. Even before the recent economic downturn took hold, new company formation was down a quarter, entrepreneurs were adding fewer jobs than they had historically, public offerings were down for small and medium-sized companies, and capital was slower to reach high-growth enterprises. An entrepreneurial slowdown is antithetical to an economy reeling and striving to return to full employment.

³ Walsh, Megan, "Chobani Takes the Lead," *Bloomberg Businessweek* (2012). Available at <http://www.businessweek.com/articles/2012-07-31/chobani-takes-gold-in-the-yogurt-aisle>

⁴ American Enterprise Institute for Public Policy Research and the Partnership For a New American Economy, "Immigration and American Jobs" (2011). Available at http://www.renewoureconomy.org/sites/all/themes/pnae/img/NAE_Im-AmerJobs.pdf

Last year the Congress and the White House came to recognize these troubling trends and worked together in bipartisan fashion to pass the Jumpstart Our Business Startups Act (JOBS Act) to help entrepreneurs raise capital from more sources, grow their businesses with less burden, and access public markets earlier to boost job creation. The JOBS Act was an important step forward in improving the environment for entrepreneurs, but the legislation did not address the high-skilled talent issue – the one issue many of us believe is paramount when it comes to ensuring our economic competitiveness.

Now is the time to act.

Every year, arbitrary immigration caps force approximately one-third of the 50,000 foreign-born STEM graduates from our universities to leave the country. After earning a Masters or PhD from universities such as Stanford, Carnegie Mellon, and MIT, these talented men and woman move to competitor nations and launch businesses abroad that compete with our workers here at home. If our military had a similar policy we would train soldiers, sailors, and pilots at West Point, the Naval Academy, and the Air Force Academy with world-class battlefield skills, only to send them away to join the militaries of foreign nations. This is part of the reason why in Silicon Valley over the past seven years the percentage of immigrant-founded startups has dropped from 52.4 percent to 43.9 percent.⁵

A few months ago I was having breakfast with a group of young entrepreneurs in Chapel Hill, North Carolina when I met Deepak, a young, up-and-coming star in the Research Triangle's entrepreneurial ecosystem. Deepak was working to grow his health-care startup, create jobs, and enable people from around the world to live healthier lives by personalizing the delivery of health and wellness advice. Deepak was born in India, has a PhD in genetics from the University of North Carolina, and his startup has achieved 40 percent month-over-month growth. Yet his green card status remains uncertain and as a result Deepak is having a difficult time convincing

⁵ Wadhwa, Vivek; Saxenian, AnnaLee; Siciliano, Daniel F; “America’s New Immigrant Entrepreneurs: Then and Now” (2012). Available at http://www.kauffman.org/uploadedFiles/Then_and_now_americas_new_immigrant_entrepreneurs.pdf

investors to fund his expansion. Deepak is ready to hire more employees in Raleigh. Instead he waits.

There are thousands of these stories across the country. But it's not just about the competitiveness of our startup economy. Facebook almost relocated a key project, and numerous employees, offshore until it finally obtained a late H-1B visa for a Stanford graduate from Spain. Google, along with other large firms, has been forced to relocate part of its operations abroad due to the challenges of getting work visas and green cards.⁶

Meanwhile, as we grow complacent in the global battle for talent, our competitors are picking up their game.

China has dedicated resources toward increasing its talent pool of skilled workers to 180 million in the coming years. The Chinese launched the "1000 Talents Program" to attract talented researchers back to the country.⁷ Australia skips the temporary work-visa step altogether and provides fast-track permanent residency to high-skilled workers and their spouses even before they relocate. In fact, Australia grants nearly as many employment-based green cards as the United States, despite having an economy 14 times smaller.⁸ Canada took action just a few weeks ago when its Citizenship and Immigration office announced a new startup visa program that grants permanent residency to foreign-born innovators who receive backing from Canadian investors. Jason Kenney, the Citizenship and Immigration Minister of Canada, told one newspaper that he plans:

"...to go down to Silicon Valley with some of the industry associations here and fly the Canadian flag and say to those bright young prospective immigrants, some of whom are

⁶ Gruenwald, Juliana, "Progress on Immigration, Education Key to Reviving Jobs, Tech Leaders Say," *National Journal* (2011). Available at <http://www.nationaljournal.com/tech/progress-on-immigration-education-key-to-reviving-jobs-tech-leaders-say-20110802>

⁷ Thousand Talents Program. Available at <http://www.szdo.cuhk.edu.hk/en-GB/research-funding/national-funding/1000-talents-plan>

⁸ Dalmia, Shikha, "Canada Shows How U.S. States Can Fix Immigration," *Bloomberg* (2012). Available at <http://www.bloomberg.com/news/2012-11-28/canada-shows-how-u-s-states-can-fix-immigration.html>

*going to create massively successful companies in their lifetime, that they can come to Canada through this program and they can get permanent residency here, and have the certainty that this represents and start their businesses in Canada."*⁹

From Singapore to Germany to India, countries around the world are making it easier and more attractive for talented foreigners to settle and contribute. What was once the secret sauce of our economic advantage – a strong entrepreneurial economy that rewards risk, disruption and innovation – is being replicated aggressively around the world. A few decades ago we lost ground in the manufacturing sector when we failed to respond aggressively to global competition. We cannot afford to do the same when it comes to the entrepreneurial sector.

The good news is that Democrats and Republicans in Congress and the White House agree that we need to take action. Numerous bipartisan, high-skilled immigration proposals have been teed up in recent months that contain smart reforms aimed at righting this policy. A combination of these reforms should make up a core component of a comprehensive immigration package. The Startup Act permits entrepreneurs and STEM graduates to stay and set up businesses. The I-Squared Act increases the amount of available green cards and removes the per-country cap for employment-based visas. The Startup Visa Act allows foreign entrepreneurs to move to the United States so long as they have financial backing from American investors. The SMART Jobs Act slows the STEM “brain drain” by adding a new non-immigrant F-4 visa for students pursuing masters or doctorate degrees and puts them on a path to legal, permanent residency. Two more bills introduced in the House last fall would award green cards to top foreign-born STEM graduates and entrepreneurs. And Chairman Leahy has introduced additional immigration proposals that merit serious consideration as part of comprehensive immigration reform, including a compelling idea based on the EB-5 program working in his home state of Vermont.

President Obama has called for stapling green cards to the diplomas of American-educated immigrants with STEM degrees, and in the Senate the bipartisan "Gang of Eight" agreed on a

⁹ Dobby, Christine, “Startup Visa Program To Launch April 1 With Participation of CVCA and NACO,” *Financial Post* (2013). Available at <http://business.financialpost.com/2013/01/24/startup-visa-program-to-launch-april-1-with-participation-of-cvca-and-naco/>

framework to admit the skilled workers necessary for a competitive economy. From the White House plan, to the numerous aforementioned high-skilled legislative proposals, to additional bills, there are smart ideas on the table. While some increase the number of green cards or the number of H-1B visas, others create new entrepreneurial visas, remove the per-country cap for employment-based visas, add a new non-immigrant F-4 visa, or build on successful programs that lure investment and talent to the United States, all of the proposals together make it easier to recruit and retain innovators, founders, and job-creators. Whether a person starts as a student, an employee in a large corporation, or as a partner of a U.S. enterprise abroad, we should enact measures that enable talented entrepreneurs to start businesses and innovate here in the United States. I defer to the men and women on Capitol Hill and at the White House to determine which of these specific provisions make up the final plan, but I am confident we are close to meaningful high-skilled immigration reform.

While my main focus is on talent, I also believe we need to work together to create a dignified path to citizenship for the 11 million undocumented workers currently in the country, strengthen border security, and crack down on employers who knowingly hire illegal workers. The legal, social, and moral imperatives of comprehensive immigration reform speak to our character as a nation. This is an emotional issue. It is a vexing issue. Families are split apart by our immigration laws. Young people who love this country are forced to leave. I do not envy the difficult choices you all face. But I believe that the smart and responsible course is passing one comprehensive bill that deals once and for all with these issues. This is the right thing to do, but also the smart thing to do. Sensible immigration policies will ensure America remains a beacon of hope and opportunity.

A few months ago I stood next to Republican Majority Leader Eric Cantor and President Obama in the Rose Garden after they joined together to pass the JOBS Act on behalf of our nation's entrepreneurs. Pundits said it would never happen, particularly given it was an election year. But it did. Bipartisan progress is possible during moments in Washington when diverse groups of citizens call for action. In recent months, a broad coalition of religious leaders, law enforcement, labor, big businesses, and entrepreneurs have come together to press our elected leaders to pass comprehensive immigration reform. This is the moment.

History teaches us that the most open and inclusive societies tend to be the most successful: Spain in the early 1400s pioneering navigation and global trade; Italy in the 1500s advancing science and learning. But no country has benefited more from immigration than the United States. We began as a startup founded by immigrant settlers who left a difficult situation to build a better life. What distinguishes us is that we have always been a magnet for risk-taking men and women from across the world hoping to start businesses, innovate, and contribute. That is part of our DNA. It is why in the 20th century we created more wealth, opportunity, and economic growth than any other nation.

But that advantage is slipping away. As the economies of developing countries mature rapidly it is no longer the easy choice to settle in the United States. There are now increasingly attractive opportunities abroad. We must improve the environment for entrepreneurship to thrive. Now is the time to work together and pass comprehensive reform that fixes our high-skilled immigration system.

Mr. Chairman and members of the Committee, thank you for your time.