



April 12, 2021

The Honorable Charles Schumer  
U.S. Senate  
322 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Todd Young  
U.S. Senate  
185 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senators Schumer and Young,

On behalf of our nation's venture capital investors and the entrepreneurs they support, I write to express our support for the *Endless Frontier Act*. If effectively implemented, this legislation will meaningfully increase federal basic research investment and technology commercialization activity, improve our nation's long-term economic competitiveness, create new industries and high-quality 21st century jobs, and increase economic growth in communities across the country. We appreciate your recognition of the venture capital industry's importance in achieving our shared goals of prioritizing the nexus between technological progress and new company formation to advance economic opportunity.

Because of their unique roles working to bridge the divide between government research and commercial demand, as well as between science and markets more broadly, the participation of the venture capital (VC) industry will determine the success of much of this program. As background, venture capitalists are investors in the nation's startups. These are new companies taking incredible risks against long odds to become the next generation of successful American businesses. VC-backed companies use equity investment to conduct research, expand workforces, build out new facilities, and generally focus on growth activities that create long-term value. A research paper produced by Stanford University finds that of the 1,339 companies that have gone public between 1974 and 2015, a full 42 percent can trace their roots to venture capital.<sup>1</sup> Those venture-backed companies account for an astounding 85 percent of all research and development spending by companies that have gone public since 1974.<sup>2</sup>

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<sup>1</sup> *How Much Does Venture Capital Drive the U.S. Economy?*, Stanford Graduate School of Business (October 2015), available at <https://www.gsb.stanford.edu/insights/how-much-does-venture-capital-drive-us-economy>.

<sup>2</sup> Id.

Technology-focused entrepreneurial activity is particularly important to creating economic opportunity for American workers. A recent report from the University of North Carolina's Kenan Institute of Private Enterprise found that total high-technology employment in the U.S. grew by around 20 percent from 2007-2016, and that these jobs both *paid higher median wages* and *were created faster* coming out of the financial crisis than non-high-technology jobs in states across the U.S.<sup>3</sup> This illustrates a fundamental trend in the modern economy: the path to greater economic opportunity for American workers runs through technological progress and long-term investment.

America has been the unquestioned leader in innovation, the country where the modern venture capital model was created and the home of so many innovative companies built in the post-war era. But this leadership should not be taken for granted in the global race for innovation. In fact, the share of global venture capital investment into U.S. companies has dropped from 90 percent from as recently as the 1990s to just 51 percent last year.<sup>4</sup> In addition, over the last five years, at least half of the ten largest venture capital investments in the world occurred outside the United States. In an increasingly competitive world, the United States must prioritize greater scientific discovery and patient capital investment in order to maintain our leadership edge.

The *Endless Frontier Act* is a bold proposal to solidify U.S. leadership in innovation. The bill provides a renewed commitment to federal basic research investment and offers a range of tools to support the successful transition of technological concepts from a lab into innovative products that can succeed in the marketplace. The bill leverages public-private partnerships to provide increased investment in early research, education, training, facilities, and entrepreneurship to support the U.S. leadership position in key emerging technologies. A separate Regional Technology Hub Program under the Department of Commerce would establish up to fifteen regional innovation hubs to diffuse resources and expand opportunity throughout the country.

The *Endless Frontier Act* will particularly impact the facilitation of greater technological capabilities in capital-intensive emerging technologies where the U.S. is competing with countries in an uncertain race for global leadership. In fields such as quantum computing, advanced energy and materials, and several others outlined in the legislation, the countries which establish an early beachhead in terms of technological capability will enjoy significant gains in job creation and economic activity, tax revenues, standards of living, and military readiness.

Participation of the venture capital community in this fragile transition from lab to market is critical to accomplish the goals of the *Endless Frontier Act*. In addition to equity capital investment, venture investors work alongside their portfolio companies to mentor the executive teams, offer strategic advice (often from seats on the company board), and serve as critical resources bridging the divide between the lab and market. In addition, a venture investor's participation often serves as a conduit to further growth capital opportunities and resources

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<sup>3</sup> *Frontiers of Entrepreneurship* (2020 Trends Report, University of North Carolina – Chapel Hill, available at <https://frontiers.unc.edu/wp-content/uploads/2020/01/2020-TrendsInEntrepreneurshipReport.pdf>).

<sup>4</sup> Source: NVCA 2021 Yearbook, Data Provided by Pitchbook.

needed to scale, a key factor for expanding innovation opportunity to new regions and building local ecosystems. America is the global leader in innovation—a critical component in a globally competitive economy—in large part because of venture capital. And as we can see from the economies of other countries, if venture capital does not exist to support an entrepreneurial ecosystem, no other investment class, nor government spending, can fill this gap.

As we continue working together through the legislative and regulatory process, we look forward to finding ways to encourage the participation of VCs in communities across the country to accomplish our shared objectives. We are particularly appreciative of the priority that the legislation places on commercializing technology through new company formation, a critical activity for developing emerging startup ecosystems and spreading economic opportunity to more communities across the country.<sup>5</sup>

Thank you for your introduction of the *Endless Frontier Act*, legislation that will grow the American economy and increase economic opportunity by enhancing American innovation capacity. That the legislation can accomplish these objectives in a bipartisan manner is a testament to the leadership and capabilities of the bill's sponsors, a wonderful illustration of how legislators can come together to tackle some of America's toughest challenges. We are pleased to offer support and help as you move this important piece of legislation through Congress.

Sincerely,

A handwritten signature in cursive script that reads "Bobby Franklin".

Bobby Franklin  
President and CEO

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<sup>5</sup> [https://www.nber.org/papers/w28160?utm\\_campaign=ntwh&utm\\_medium=email&utm\\_source=ntwg27](https://www.nber.org/papers/w28160?utm_campaign=ntwh&utm_medium=email&utm_source=ntwg27)