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## Federal R&D dollars are a golden opportunity for Illinois

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By Mark Glennon

Illinois' record for landing federal dollars has been poor, but it now has a historic opportunity to turn that around.

Compared to other states on a per capita basis, Illinois ranks 33rd in federal research and development dollars received and 46th in federal dollars returning to the state as compared to taxes paid in. With the right effort, that could quickly change, and now is the time to make that effort.

"Massive" and "lavish" were the terms recently used by the Wall Street Journal to describe the coming surge in federal R&D expenditures spawned by the war on terror. Those terms fit. Federal R&D spending will total around \$115 billion this fiscal year, which is more, as the Journal pointed out, than will be spent by Japan and the 15 European Union governments combined.

The enormity of these expenditures is illustrated by a comparison to venture capital, which is correctly seen as an important source of the nation's R&D funding. But U.S. venture investments over the last year totaled about \$25 billion; only at the height of the technology boom in 2000 did total annual investments compare to the \$115 billion now coming in federal R&D.

Most of this new spending will be for military applications, but the money will not necessarily go to defense and intelligence agencies alone. The National Institute for Health, for example, will receive a record \$26 billion, largely to develop defenses against biological warfare.



Beyond the immediate value of R&D contracts is the position the contractors will hold for later application of the technology in the private sector. Indeed, more important in the longer run is not what the military purchases but what comes back out for civilian use. Radar, sonar, jets, rockets, nuclear energy, computers, composites, the Internet and hundreds of other modern products all sprang from military R&D. The current surge in defense spending will probably turn out to be the best yet for producing civilian products, because so much of today's focus is on practical applications with obvious domestic utility, like security, data analysis, communication and control of disease.

This money is, for now, the great motherlode that will drive technology and economic development, and it is the only funding of comparable size that will be available for those purposes for the foreseeable future. Those who ride this tide will secure lasting benefits as big as the federal dollars at issue, aside from the more important point of contributing to success in the war on terror. California and Texas became dominant in technology largely by cornering much of the Reagan defense spending in the 1980s. This buildup will dwarf that one. It will also be more technology oriented.

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CIA; walkie-talkies earned Motorola's place in communications for a generation, and the military's role in Boeing's history and its future are obvious.

A large part of the answer is effectively lobbying, and therein lies the point: New leadership in Springfield will soon craft a policy for economic development, handicapped by the crushing reality that the state is broke. A top priority--which would require minimal cash--should be to launch in Washington the most aggressive, concerted lobbying campaign in the state's history to win as much of this federal money as we can for Illinois companies and universities, and the federal laboratories here.

Mark Glennon is vice president of Investments and Business Development at Leo Capital Holdings, which invests in early-stage technology ventures, and founder of the Illinois Venture Capital Conference.

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