

Trump's Research Cuts Play Into China's Hands

di Rahm Emanuel

America has long been envious of China's advanced trains and factories. The high-speed train zipping from Shanghai to Beijing puts to shame the Amtrak Acela running half as fast between New York and Washington. The U.S. might have been at the forefront of the Second Industrial Revolution more than a century ago, but many now consider China to be the world's factory floor. While it's true that Beijing dominates manufacturing, Washington's fears of lagging behind miss a profound point: The real threat lies in other economic sectors.

Intent on ensuring that China leapfrogs the U.S. as the world's pre-eminent power, Xi Jinping recently made the gutsy and perhaps counterintuitive decision to invest massively in an arena of American strength—basic research. While a variety of factors drove China to invest in research, the Covid pandemic was a wake-up call that accelerated these efforts. Having seen that Western researchers produced Covid vaccines with higher efficacy rates months before China, Mr. Xi directed his government to close the technological gap across the board.

Beijing over the past five years has directed significant money to quantum computing, fusion energy, military technology, artificial intelligence and other areas of research and development. Those investments are already paying off, as evident from American pharmaceutical corporations' increasing interest in buying Chinese life-sciences assets. While Mr. Xi is investing in China's future, President Trump has proposed in his past two budgets to cut funding and cancel research. He has proposed slashing money for the National Science Foundation by more than half and for the National Institutes of Health by about 40% (later revised to about 12% after congressional pushback). He isn't giving the Energy Department's national laboratories or the Defense Advanced Research Projects Agency the resources they need to keep pace, let alone surge ahead.

He has canceled or frozen more than 7,800 science and technology grants. The results are profound: Scientists from around the world used to compete to do their groundbreaking research in the U.S. Now, many look elsewhere, often across the Pacific.

Mr. Trump's policy of cutting R&D funding endangers America's competitiveness, imperiling the likelihood that the next [Apple](#), Google or [Amgen](#) will be founded here. But he isn't the only one to blame. Business leaders have watched this disaster unfold largely without speaking out, in most cases because they didn't want to jeopardize the tax breaks and regulatory relief Mr. Trump was offering to deep-pocketed firms. The tech bros are complicit because Mr. Trump agreed not to regulate AI or crypto. Congressional Democrats have been so distracted in their whack-a-mole efforts to address each successive Trump outrage that they've forgotten to fulfill their most solemn duty—to propose thoughtful, flexible alternative approaches. Here's how my party can turn things around.

First, to keep pace with the Chinese, Washington needs to finance a new public investment fund devoted exclusively to science and research. The source of funding should be clear, obvious and walled off. The industry that now enables online wagering for sports, games and predictions hit \$400 billion in total trading volume last year, and it's poised to grow. If Washington imposed a 10% transaction fee on those bets, we would have about \$40 billion to augment national investments in basic research, defense, life science and energy technology. These new resources wouldn't be used to supplant existing funding but rather to double funding for the NSF, NIH, Darpa and the Energy Department's national laboratories. We can either be a nation of gamblers or of entrepreneurs. I'm for entrepreneurs.

Then we should tighten the existing R&D tax credit, a benefit that is being gamed by firms that are no longer at the cutting edge. Washington could get more bang for its buck if it targeted incremental research, used AI to flag bogus applications, and awarded bonuses to investments in industrial campuses that cluster researchers, suppliers and manufacturing facilities. The tax credit should no longer be a grab bag for companies that are past the point of pioneering research.

For Democrats, this plan doesn't only represent good policy—it's an opportunity to practice good politics. Mr. Trump has tried to have his cake and eat it too: During his campaigns, he claimed to be a tribune for the working class, yet he buddied up to industry titans at his inauguration. Since then, when forced to choose between the two, he has almost always sided with the elite. He has abandoned the MAHA moms for Big Ag. He has made it more difficult for states to regulate harmful uses of AI. He has shut down clean energy projects that could protect families against high oil prices. As a result, the economy in working-class communities hasn't improved—it's gotten materially worse. Rarely has a president managed to alienate so much of his winning coalition in such a short period.

That provides Democrats with a target-rich environment heading into the midterms and 2028. But we'll squander our opportunity if we simply bang at the Trump administration's hypocrisy. Voters need us to convince them—and show them—that if they support Democrats, they won't get more of the agenda they didn't like last time we were in power. To become the party of economic growth again, we need to offer fresh ideas that keep America competitive as the global landscape evolves.

China's investments in science and technology pose a real threat, but by drawing new revenue from the prediction and online sports gambling industry and reforming our tax code, we can invest in our future. Democrats can take the lead on driving research forward and holding Beijing at bay. I'm tired of watching people win by betting against America, rather than betting on our nation's success. The ideas I've outlined are only the beginning—pieces of a broader economic-growth strategy to ensure our country's global pre-eminence for generations to come.

Mr. Emanuel, a Democrat, served as a U.S. representative from Illinois (2003-09), White House chief of staff (2009-10), mayor of Chicago (2011-19) and ambassador to Japan (2022-25).