

The Washington Post

Wednesday, February 19, 2014

Visitors per Month: 40,612

http://www.washingtonpost.com/blogs/wonkblog/wp/2014/02/19/data-inventors-are-scared-of-elections/?tid=pm_business_pop

Wonkblog

Economic and domestic policy, and lots of it.

Data: Inventors are scared of elections

By LYDIA DEPILLIS

Both Republicans and Democrats like to talk about how theirs is the party of innovation. But what really matters isn't who's in power -- it's how certain the innovators feel about what government policy will look like in the future.

That's the conclusion of [a new study](#) from Indiana University's Kelley School of Business, which found that in a dataset of 43 countries, innovation dipped during election years, which tend to be periods when the future course of laws and regulation are in doubt. What's more, there was no evidence that innovation flourished any more under right-wing parties than left-wing ones. "Our results suggest that businesses adapt to different policies but face a problem when they do not know which policy to adapt to," said Utpal Battacharya, the study's lead author, in a release accompanying the study.

Interesting results, to be sure -- and ones that are also echoed by politicians and businesses, which complain a lot about how uncertainty makes them reluctant to invest. But as with any study, it contains a lot of assumptions that might necessarily limit its utility.

To frame the question, for example, the researchers had to use proxies with various shortcomings. They used a standard metric for innovation, patents, which doesn't capture a lot of start-up activity, since small companies often don't go through the trouble of getting them. It used presidential administrations and parliamentary majorities as a stand-in for the nature of a policy environment, even though in systems with multiple branches of government -- as in the U.S. -- control of Congress often matters more than who's in the White House, as far as lawmaking is concerned. It also didn't include countries that either had no election data or only one party, like China and Cuba.

In order to refine the results, researchers broke patents out by their degree of originality and the number of citations they received, to tell how high-quality the inventions were, as well as their quality. They also factored in how close the elections were, and controlled for economic growth, which tends to promote innovation as well.

How well do the aggregate results reflect how things work in the U.S.? Not badly, it turns out, but not for reasons that the study would suggest.

[Robert Atkinson](#), president of the Information Technology and Innovation Foundation, studies this kind of thing for a living -- and he was skeptical of the results. "I've never talked to an inventor who said, 'I didn't invent that because I'm not sure what's going to happen,'" he says.

More importantly, though, it would be wrong to conclude from the study that policy doesn't matter. Rather, different parties have different approaches to fostering science, which are helpful and harmful in different

ways. Republicans usually emphasize low tax rates and strong intellectual property protections, for example, while liberals espouse federal funding for basic research and investment in primary education. "I feel like Republicans are better at creating an environment for innovation, and Democrats are better at creating the fuel for innovation," Atkinson says.

But here's what's different about the U.S.: Elsewhere, parties often find ways to agree on and move forward with innovation-friendly policies, finding different reasons why they conform to their particular ideological starting points. Several countries in Europe, for example, have looked at or already implemented something called a "[Patent Box](#)," which allows companies to pay lower taxes on their patented products. In Denmark, Atkinson says, "the center-right party saw it as a way to be pro-business, and the center-left party saw it as a way to help workers."

In America, the parties also agree on a lot of things that should promote innovation, like allowing in more high-skilled immigrants and renewing tax credits for research and development. Still, they've so far been unable to get them done, because of a toxically divided political environment. So while elections aren't necessarily times of high uncertainty -- at least if the [Uncertainty Index](#) is to be believed -- it doesn't really matter, because everyday lawmaking is just as uncertain no matter who's in power.

"The most striking thing about U.S. innovation policy is how contentious it is," Atkinson says. "We should be able to agree on a really nice, big agenda, and we seem incapable of doing that, and that's different from a lot of other countries where things happen."