

# Innovation strategy

The Obama administration has good proposals but needs a more systematic approach, **David Goldston** argues.

US President Barack Obama travelled to a struggling city in upper New York state last week to unveil a 22-page “Strategy for American Innovation”. The Obama administration is genuinely interested in developing policies to foster innovation, but a close reading of the strategy indicates that it is just beginning to figure out how to do that.

Innovation is a broad and amorphous, yet highly contested, area of policy. Federal efforts to spur “the development of new products, services, and processes” — the strategy document’s definition of “innovation” — always provoke debates about the appropriate role of government, as well as charges from conservatives that programmes are being designed to “pick winners and losers”.

The topic has been such a perennial political flashpoint that even choosing a name for such efforts is no simple matter. The Obama administration no doubt chose “innovation policy”, in part, because it sounds hard to dispute — who could be against progress? — and it breaks from past nomenclature, such as the “industrial policy” of the 1980s or President Bill Clinton’s “technology policy”, which did not succeed in keeping the conservatives at bay. The Obama phrase is also a quiet nod to the sometimes controversial field of “innovation economics”, which argues that governments do need policies explicitly directed at promoting innovation; merely creating a healthy economic environment is not enough.

But “innovation policy” is also a useful phrase politically because it’s broad enough to encompass almost anything the government is doing and to frame any activity as a forward-looking way to create jobs. The document highlights not only most of Obama’s science and technology initiatives, such as increasing research spending, advancing energy technology and expanding broadband access, but also more tangentially related proposals, such as reforming health insurance.

Indeed, the main problem with the strategy is that it reads like a compendium that was put together by asking every federal agency to send the White House a list of what they were doing that could be construed as innovation, rather than an exercise in mapping barriers to innovation and then designing policies to overcome them. The last section of the document, “Grand Challenges”, offers an interesting, but random,



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assortment of possible technical advances, and has the air of notes taken at a meeting at which smart people sat in a room tossing around ideas. And the whole paper feels a bit rushed.

All this is a little disappointing, but much less damning than it may sound. First, the repackaged flavour is typical of initial strategy documents in every administration — the documents are largely political — and it is early to expect Obama to have a fully articulated innovation plan. Indeed, what’s striking is that the White House chose to issue the strategy now and that the president built a speech around it; innovation does not seem to be a back-burner concern for Obama. And the list of initiatives is quite impressive, if previously announced; through the American Recovery and Reinvestment Act and other measures, the administration has been pouring money into research and development (R&D) and education, for instance.

The question the document begs is what the rationale will be for a systematic innovation plan going forwards. For example, the strategy notes that the president has proposed a goal that public and private R&D account for at least 3% of gross domestic product.

This figure has floated through US innovation debates for years largely because it was the investment level achieved by some competing nations in the past. But it’s not clear why 3% is the right target. Why does the percentage matter more than the actual dollar level? And how much does the impact depend on the projects that are being funded? The entire relationship between research and innovation, innovation and economic growth, and growth and jobs is unsettled intellectual terrain.

The strategy also generally avoids discussing any policy area that Obama has not yet addressed. For example, the only mention of immigration talks about improving “the processing of high-tech visas”. And the document seems to omit any proposal that might needlessly stir up old antagonisms. It leaves out, for example, the signature technology programmes of the Clinton administration, such as the Technology Innovation Program (formerly the Advanced Technology Program), which provides grants to firms for high-tech projects, even though Obama has proposed increasing their budgets.

The plan, however, does not shy away from controversy on items that are already in play. Notably, it cites the proposed cap on carbon dioxide emissions as part of the energy innovation strategy. Here the breadth of the strategy is a plus; in the past, innovation discussions too often focused solely on increasing the supply of new technologies, ignoring the need to create demand for them.

So at its best, the strategy can be seen as a broad inventory of existing proposals and programmes that might promote innovation, at least as a secondary effect. A useful next step would be a probing analysis of what impedes innovation in the United States and a list of proposals that are targeted directly at removing those hurdles.

For instance, a recurrent and central complaint in innovation discussions is that financial institutions in the United States are interested only in projects with quick pay-offs. But no strategy ever seems to include a remedy for this. That is partly because strategies often draw on ideas from lobbying groups, whose innovation agendas usually consist of proposals they were already pushing to further their members’ interests.

Lobbyists and think tanks also often push for a reorganization of the federal bureaucracy; two ideas circulating now are creating a manufacturing “czar” or a White House office to review policy for its impact on innovation. But government reorganization can be a drain on time and energy, and the goal should be to infuse concern about innovation throughout the agencies, not to carve out backwater niches that can focus on it. Moreover, the heart of the problem doesn’t seem to be a lack of government concern, but a dearth of clear, disinterested analysis and fresh solutions.

Some additional innovation in policy will be needed to help promote greater innovation in the US economy.

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