

Government as Entrepreneur: Public Sector Support of Innovative Firms in the United States

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Introduction



- Framework for thinking about public sector support of innovative firms in the United States
- Implications of this framework on policy analysis and program evaluation

Market Failure and Government Intervention



- To generalize, R&D in science and technology that is performed within private-sector firms is mostly applied research and development; R&D that is performed within universities is mostly basic research and applied research
- Technological market failure refers to a condition under which the market underinvests, from society's standpoint, in a technology
- One way that government can address a market failure is by aiding the private sector in overcoming barriers to innovation through investments in technology infrastructure

Federal Investments in Technology Infrastructure



The societal impacts of science R&D are leveraged by public sector investments in infrastructure technology

- Technology infrastructure has public good characteristics
- public support corrects market failure of underinvestment resulting from barriers to investment in technology

Government as Entrepreneur



Government acts as entrepreneur in the provision of technology infrastructure when its involvement is both innovative and characterized by entrepreneurial risk (i.e., uncertainty)

–When government acts as entrepreneur, it embraces the concept of entrepreneurial risk, or uncertainty

An Example: The Small Business Innovation Research Program



- Authorized by the Small Business Development Act of 1982
- Created an environment to facilitate the commercialization of funded research
- The entrepreneurial risk is if the funded research will result in a commercializable product

Government as Entrepreneur



- This taxonomy might shed light on new or different methods for evaluating the societal impacts of R&D
- When government acts as entrepreneur, as we define the concept, uncertainty is inherent in the policy action
- Therefore, when evaluating the societal impacts of R&D should we also evaluate the benefits associated with the failure that will exist?

Implications for Program Evaluation



Three elements are critical from an evaluation perspective when government acts as an entrepreneur.

- Identification of societal benefits is more formidable
- Cannot as easily rely on precedent/expert opinion when setting bounds for the evaluation
- Choice of the discount rate is problematic

Conclusions



- ***Government as Entrepreneur*** is a new lens through which a subset of federal government policy actions can be viewed
- The framework suggests that S&T policies are not homogeneous in character - using the model of Government as Entrepreneur is one way to differentiate among them
- We may want to consider differently from an evaluation perspective those policies described as “entrepreneurial” using this framework

Thank you!

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