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Stalking Innovation's Woes

To its credit, the Carter Administration set out 18 months ago to find out what government could sensibly do to quicken the tired pace of U.S. technological innovation. Different administrations have different styles, and in the present administration the preferred mode is a Domestic Policy Review. Whatever it is called, it comes down to an interagency study managed by a convenor, but with the important difference that a "DPR" is designed to put options before the President for decision.

The President's decisions are now in hand. We know what options he has chosen. What we do not know is what he rejected, or why. In his message to Congress the President took a wise and restrained line, observing that "there is no one place where the federal government can take action and thereby insure that industrial innovation will be increased." Considering that economic and regulatory uncertainty are as responsible as anything else for risk aversion in the industrial sector, and that a President of any stripe can influence those factors only at the margins, Mr. Carter had it right. He offered a mixed menu of responses by government to innovation's woes, describing them well and honestly as representing "only an early skirmish" with the problem. If this is disappointing to those who expected a massive response to a crisis of stagnation in innovation, others will see it as government's admission that under market economy conditions there is still a great deal that is not very clear about the interactive factors which cause innovation to bloom or droop. Moreover, one suspects that the caution reflected in the plan of action is not unrelated to the government's discomfiture in failing to write an effective prescription for inflation.

Perhaps the clearest signal in the President's message is a recognition from Washington that the federal government plays a role in the process of industrial innovation. Through its taxing, regulatory, and fiscal policies the federal government, often unknowingly, intrudes itself into the normal play of market forces. The evidence in the present message is that government now sees that this is the case and proposes to begin an open-minded effort to rationalize its role. That alone goes far to justify the huge input of work which went into the Domestic Policy Review.

As to the prescriptions themselves, they are modest but positive. Federal patent policies will, if Congress consents, be made uniform insofar as they deal with the touchy issue of exclusive licensing. Smaller innovative firms are to get increasing financial help through the National Science Foundation's Small Business Innovation Research Program, and the Commerce Department will set up two pilot Corporations for Innovation Development with participation by states or regions to help small entrepreneurs find initial venture money. There is a pledge to explore the uses of federal procurement policy for strengthening marketing incentives, essentially by shifting emphasis from design specifications to performance specifications. In the regulatory area, where the Administration has already applied some brakes to the regulatory toboggan, the agencies will be expected to take innovation into account and also prepare 5-year forecasts of their regulatory intentions, thus moderating the uncertainty factor. Working with labor and management, government will try to come up with a national labor/technology forecasting system to lubricate industrial frictions arising from planned technological changes. On the antitrust front, no laws are to be rewritten or monopolies egged on, but the regulators are to make it clear that there are circumstances in which cooperation among firms in research and development is acceptable. As for providing tax inducements which might interest large firms in risking capital for major innovations, the report contains nothing more than the President's understanding and a promise to look again at the question in connection with his fiscal policies for 1981.

On balance, the outcome of the Domestic Policy Review is a plus. Although it hardly improves the near-term prospects for regenerating innovation in the national economy, it is credible as far as it goes. If the early skirmish prefigures an escalated campaign to come to grips with the questions, there will be no cause to complain.—WILLIAM D. CAREY