

Comments on Bringing Innovation into the U.S. Economic Accounts

Measuring Innovation and Change During Turbulent Economic Times – November 17, 2009

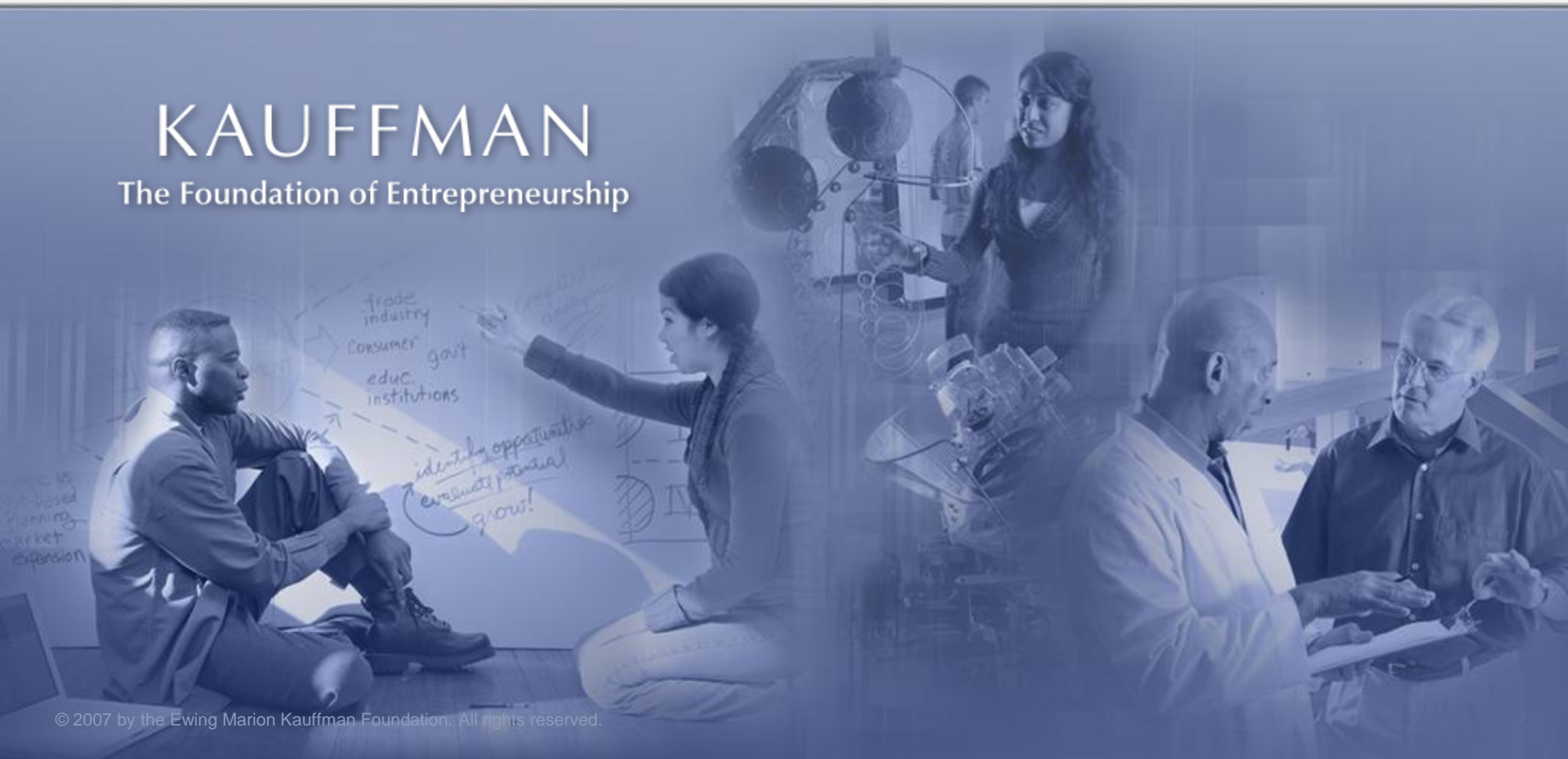
E.J. Reedy, Manager

“Every individual that we can inspire, that we can guide, that we can help to start a new company, is vital to the future of our economic welfare.”

— Ewing Kauffman

KAUFFMAN

The Foundation of Entrepreneurship



Economic Statistics

- *Good to see increasing tent*
- *Desire to improve*
 - *Many of the biggest leaders are in this room*
- *Comment/evolution process*

Trends I See which Should Excite and Concern the Statistical Agencies

- *National accounts facing doubt from many directions*
 - *Discussion around measures beyond economic growth*
 - *Sarkozy, for example*
 - *Discussion around importance of intangible assets and nature of capital investments*
 - *Mandel, for example*
 - *Discussion around globalization and off-shoring*
 - *See recent coverage of Upjohn event*

A Vision (with Some Experience)

- *For Private Funders*
- *Beyond Data Access*
- *For Government Microdata*

A Vision for Private Funders

- Private funders leverage quality research (including original survey research) with a view towards creating data which can be used by communities of scholars to achieve specific as well as undefined outcomes.

■ Experience

- Private funders comfortable funding external groups for research/data. Most proposals come from groups intent on limiting access to data in order to seek rents.
- Survey research firms are great collecting data but don't offer much advice in dissemination and evolving data.
- Language used in data community and philanthropy community are disconnected and few funders have economies of scale investments in data.
- Dissemination is afterthought in most grant proposals.

Beyond Data Access

- Communities of functioning data producers and users interacting in an ongoing and transparent manner to increase quality and leverage of research.

■ Experience

- Most still focus on collection and even those considering access issues don't recognize what is necessary to create a community.
- Few solutions fit every data user so versioning data can help to create to ensure proper sorting of data users.
- Remote access shows great promise for data producers and users to actually engage with each other while meeting other competing priorities.
- Dissemination dollars are cut too frequently from budgets (if they are ever included)

For Government Microdata

- Dominance of U.S. academic institutions could be leveraged through ongoing engagement with statistical community, driving improved surveys and understanding.

■ Experience

- Microdata access as remains a politically scary concept so focus of administration remains squarely on increasing access to already public data.
- Except for a few rent-seeking academics (to over-generalize), academics are disengaged from agencies.
- Statistical agencies actually desire additional insights on their daily survey work and emerging topics but don't have established communities working with the data and surveys in the area to go to.

A few specific ideas

- *We have to increase our understanding of how to assign and track investments, financial, intellectual, and otherwise across locations and firm boundaries.*
 - *Perhaps a new concept of geographical depreciation could be developed?*
- *BEA proposed project on innovation was very comprehensive and necessary but lacked champions.*
 - *Regions within the U.S. all track innovation and could benefit from broader innovation account.*

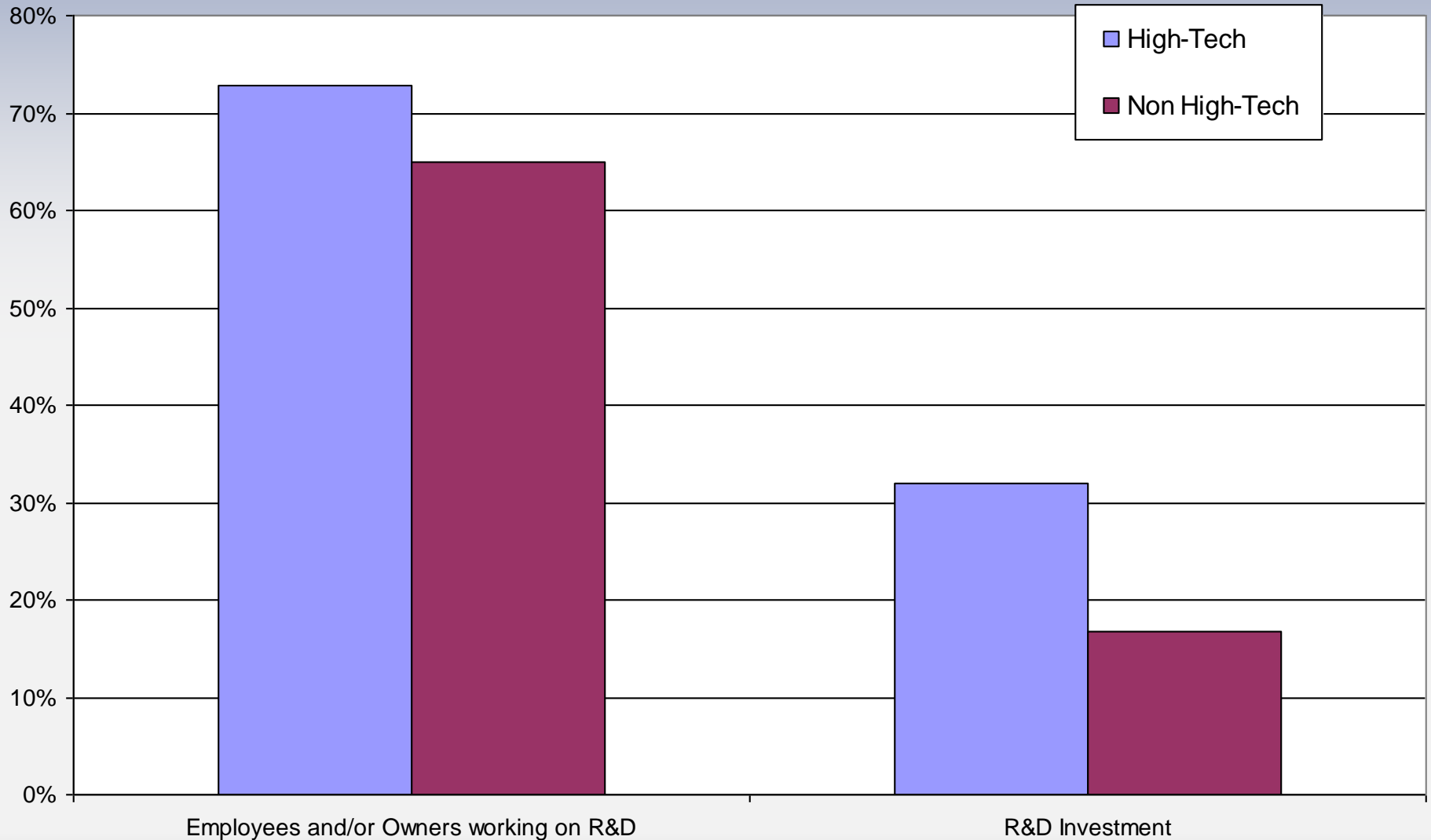
NSF R&D Survey

- *Great advances made in redesign*
 - *Better understanding of who is funding and other types of financial investments in intangible creation (and eventually “innovation”)*
- *But great potential remains with nascent “micro-business innovation survey”*
 - *NSF and IRS showing great leadership in driving improvements here.*
 - *Potential to drive international improvements in microdata measurement which could circle back to national accounts.*

Kauffman Firm Survey

- The largest longitudinal survey of new businesses in the world following a cohort of 4,928 firms that began operations in 2004.
- Cohort is tracked annually and queried on the background of the founders, the sources and amounts of financing, firm strategies and innovations, and outcomes such as sales, profits, and survival.
- The KFS is in its fifth collection period with eight periods planned.

Kauffman Firm Survey R&D



Research and Development: KfW/ZEW Start-up Panel

Table 3: Firms' R&D activities in the 2007

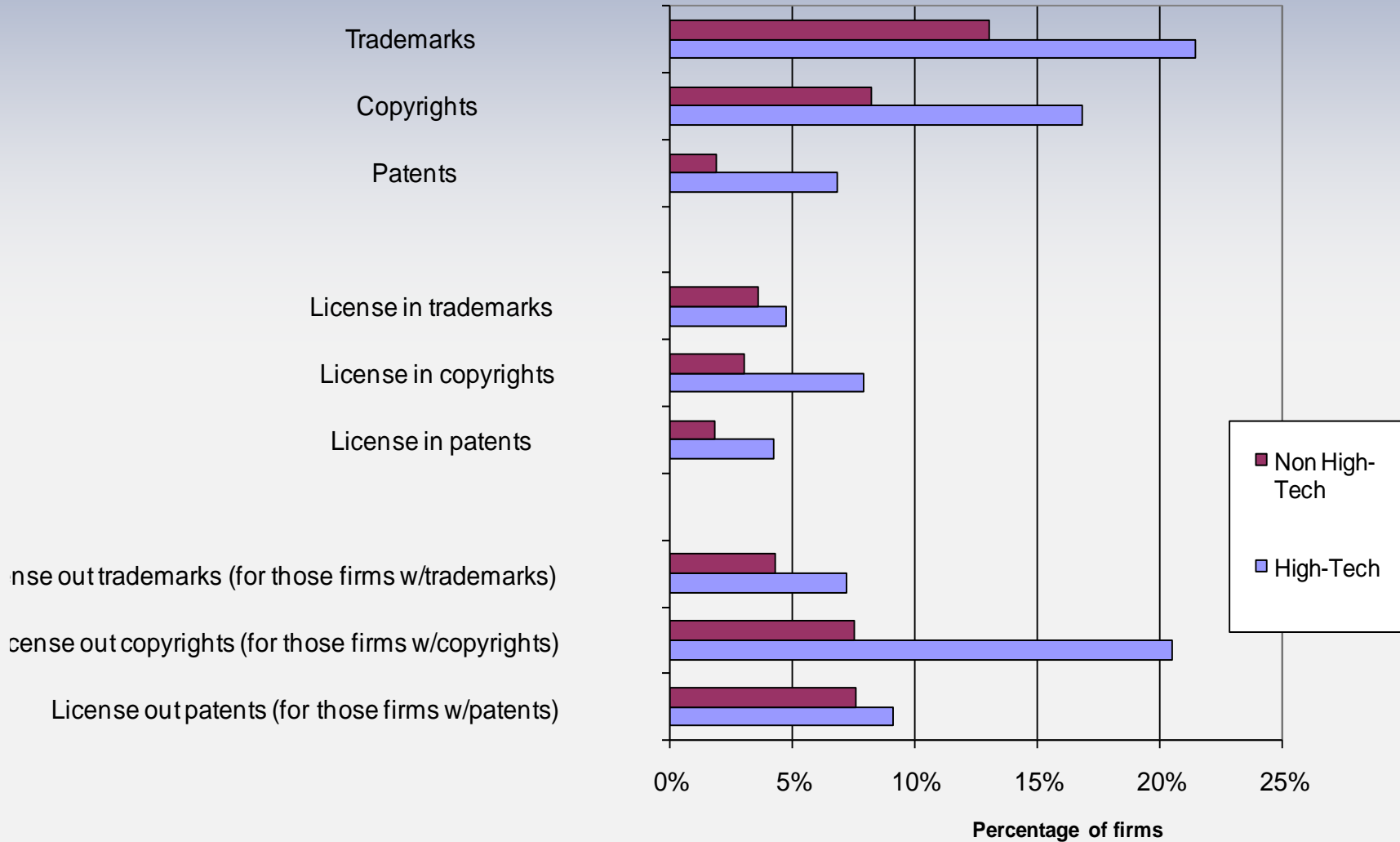
		High-Tech	Non High-Tech
R&D continuously	%	20.4	8.5
R&D occasionally	%	15.6	8.1
R&D employees ^{a/b}	mean	1.5	1.2
	median	1.0	1.0
Expenditures on R&D ^a	mean	55,100	35,400
	10% percentile	0	0
	50% percentile	10,000	3,000
	90% percentile	120,000	80,000

^a Firms with R&D activities.

^b Employees who spent on average at least 50% of their working time on research and development activities.

Source: KfW/ZEW Start-up Panel, first wave 2008 (Gottschalk et al. 2008).

Kauffman Firm Survey Intellectual Property Protection



Need to Drive Advances in Survey Questions

- *New question on intangible assets on the KFS, available in early 2010 with paper at AEA conference*
 - *Investments in intangible assets are expenditures expected to produce long-term benefits for businesses. I'm going to read you some types of intangible assets. When thinking about each category, please consider the cost of in-house activities in these areas including the time of the business owner(s), as well as services or license fees from outside providers.*

Intangible Assets (continued)

Did [NAME BUSINESS] have expenditures in [ITEM] in calendar year 2008?

If yes, respondents are asked for total amount of expenditures on intangible assets in 2008

- a. The design of new and improved products and services?
- b. Investments in software or databases?
- c. Brand development such as advertising or marketing?
- d. Organizational development such as company formation expenses or management consulting?
- e. Worker training?
- f. Any other intangible asset investments? (SPECIFY)

Understanding Business Dynamics Dynamics: an integrated data system for America's future

Read the executive summary

http://papers.ssrn.com/abstract_id=985999

Browse additional sections

<http://books.nap.edu/openbook.php?isbn=0309104920>

Recommendations

- *Expand data on young and nascent businesses*
- *More effective use of existing data*
- *Change the data sharing environment*



Understanding Business Dynamics

AN INTEGRATED DATA SYSTEM FOR AMERICA'S FUTURE



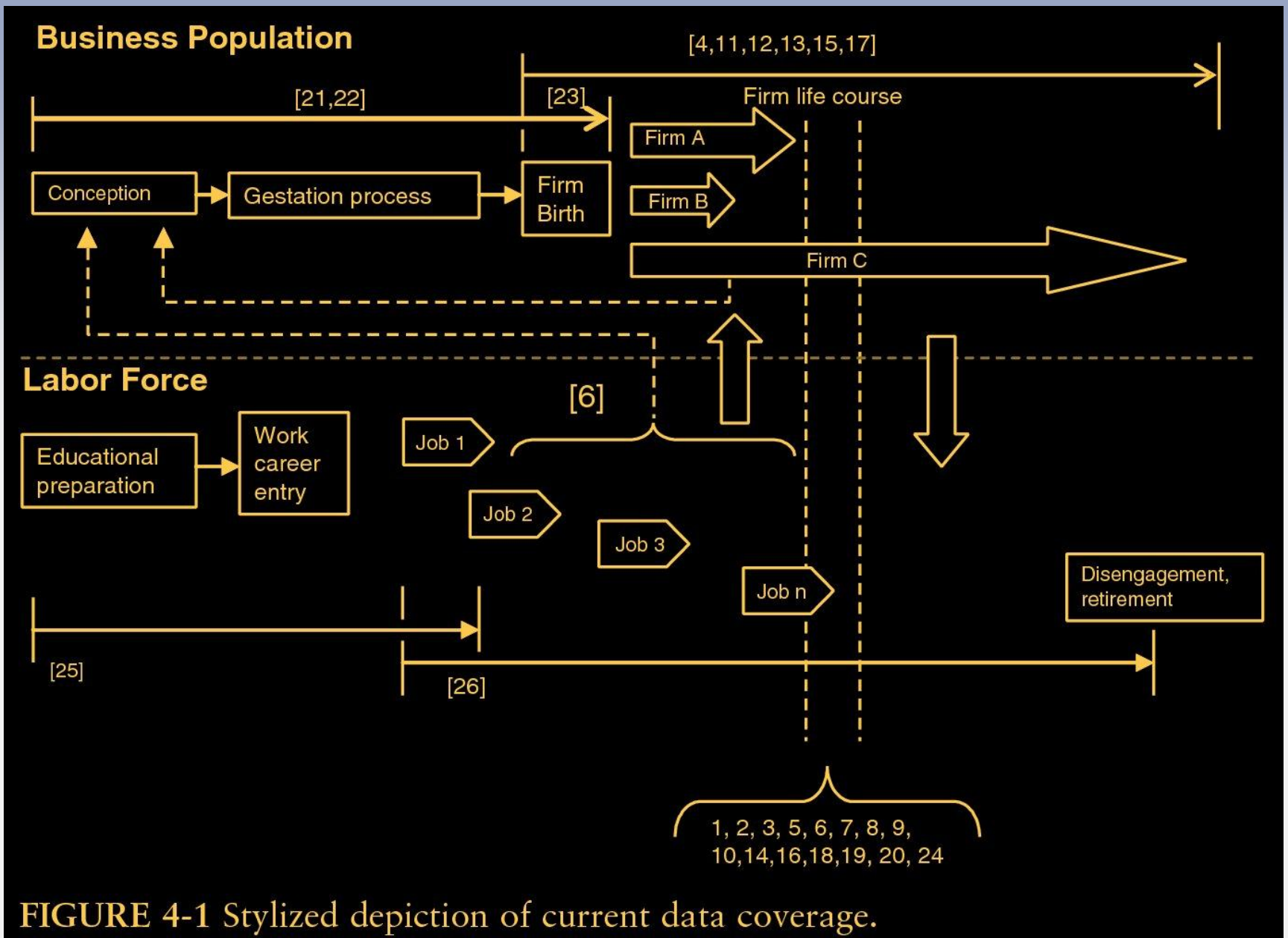


FIGURE 4-1 Stylized depiction of current data coverage.

Bloggging on Entrepreneurship and Innovation Data

Data Maven

Obsessed with entrepreneurship and innovation data developments



with
E.J. Reedy

ITIF Event to Focus on National Innovation Policies

9/4/2009 10:06:32 AM By E.J. Reedy

The Information Technology and Innovation Foundation (ITIF), who we work with on the [State New Economy Index](#), will be hosting a day on national innovation policies on September 28 in Washington, DC. [Learn more.](#)

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Reminder - Kauffman Dissertation Fellowship Program Deadline

About This Blog

Developing better data is part of Kauffman's long-term strategy for advancing better research and policy on entrepreneurship and innovation. Data Maven is place you can connect with new data developments, provide us feedback on possible new projects, and contribute to the community seeking to improve entrepreneurship and innovation measurement.

 www.kauffman.org/datamaven

Contact Me

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- *Thank you for your time!*