
Effects of Public Policy on Stimulating Creativity

Stuart Nagel
PSO-DSI-MKM Center and University of Illinois

Win-win analysis involves finding solutions to diverse problems, especially policy problems whereby all major sides can come out ahead of their best initial expectations. In policy problems, this tends to mean that both conservatives and liberals come out ahead of their best expectations.

In discussing the win-win aspects of creativity, we are concerned with such issues as (1) how to encourage creativity without consumers being taken advantage of, (2) how to encourage creativity without overly subsidizing relevant business firms, (3) how to develop the right combination of hands-off and government stimulation to encourage creativity, (4) how to develop research findings that are both valid and simple, and (5) how to strive for generalizations and case studies, simultaneously.

I. THE PATENT SYSTEM AND ENCOURAGING INVENTIONS

Preserving the patent system (as it is currently operating) tends to stifle some creativity by providing for a 17-year monopoly renewable once, but frequently renewed repeatedly with slight variations. It also stifles creativity by being the basis for lawsuits designed to obtain injunctions against creative competition. See Table 2-1.

TABLE 2-1. THE PATENT SYSTEM AND ENCOURAGING INVENTIONS

CRITERIA	C Taxes and Profits	L Competition
ALTERNATIVES		
C		
Preserve Patents	+	-
L		
Abolish Patents	-	+
N		
Change System	0	0
SOS		
1. Well-Placed Subsidies to Encourage Technology		
2. Licensing on Royalties		
3. Government as Insurer	++	++

Abolishing patents can hurt some creativity on the part of people who develop new inventions in order to obtain a monopolistic patent, although as of 1999 those new inventions may be for relatively small matters, rather than for new forms of transportation, communication, energy, or health care.

Changing the system by shortening the patent monopoly, requiring licensing, or having the government as an insurer against product liability can be helpful, but not as much as well-placed subsidies to encourage needed inventions. Well-placed subsidies could mean calling a conference of leading scientists and

engineers to develop a list of 50-100 important needed inventions. The government could then announce the availability of grants and other monetary rewards to encourage the development of those inventions. The rewards could be worth more than a monopolistic patent, while still encouraging competition (rather than stifling it).

II. ALTERNATIVES FOR PRODUCT LIABILITY

Common law defenses enable manufacturers to escape liability by arguing (1) they did not sell directly to the consumer, (2) contributor negligence by the consumer, (3) third party partially responsible, and (4) implicit waiver of the right to sue.

Strict liability means the manufacturer is liable for damages to the consumer if the product injured the consumer, regardless of the above common law defenses.

Comparative negligence means the consumer collects even if the consumer is partly negligent, as long as the part is less than 50%.

The SOS alternative as mentioned here provides for strict liability only after three years of marketing in order to stimulate product innovation and provide a time period for debugging product defects. A better SOS alternative might be to have the government be an insurer for the first three years so as to provide better compensation to injured persons while freeing product innovators from liability if they exercise reasonable care. See Table 2-2.

TABLE 2-2. PRODUCT LIABILITY

GOALS	C	L
ALTERNATIVES	Stimulate Innovation of Products	Safety and Compensation
C		
Common Law Defenses	+	-
L	-	+

Strict Liability		
N		
Common Defenses Exceptions Comparative Negligence	Law with or	
SOS OR WIN-WIN		
Strict Liability after 3 Years of Marketing	0	0
	++	++

III. STIMULATING SOCIALLY USEFUL RESEARCH

The SOS emphasizes socializing people at an early age to want to discover new and useful knowledge. That means an emphasis on creativity and usefulness in elementary and secondary education.

Doing so is likely to result in more socially useful research than either pure market forces or making subsidies available, although such socialization can be combined with the stimulus of a free market and the facilitating value of a well-placed subsidy. See Table 2-3.

TABLE 2-3. SOCIALLY USEFUL RESEARCH

GOALS	C	L
ALTERNATIVES	1. Freedom 2. Save Taxes	Usefulness
C		
Laissez-Faire Encouraging What is Easy	+	-
L		
1. Big Funding for Causal Research 2. Policy Research	-	+
N		
Both	0	0
SOS OR WIN-WIN		
1. Socialization with Free Market 2. Subsidies	++	++

IV. VALIDITY AND SIMPLICITY IN POLICY ANALYSIS

Validity in policy analysis refers to internal consistency in drawing a prescriptive conclusion from goals, alternatives, and relations. It also refers to external consistency between the alleged goals, alternatives, and relations on the one hand and empirical reality on the other.

Simplicity in policy analysis refers to having as few goals, alternatives, and relations as are needed to capture the essence of the policy problem. Simplicity also includes an emphasis on simple arithmetic rather than calculus, operations research, or statistical analysis if possible.

Frequently policy analysts think of increasing validity by decreasing simplicity, or increasing simplicity by decreasing validity. The approach of using a decision matrix or an SOS table may provide greater validity by including goals that are normally difficult to work with using complex methods. Such goals may, however, be relatively easy to work with if simple methods are used that allow for a substantial margin of error. See Table 2-4.

TABLE 2-4. VALIDITY AND SIMPLICITY

GOALS	C Proper Form	L Democratic Understanding
ALTERNATIVES		
C		
Validity	+	-
L		
Simplicity	-	+
N		
2 and 2	0	0
SOS OR WIN-WIN		
Striving for 100% on Both	++	++

V. GENERALIZATIONS VERSUS CASE STUDIES IN DEVELOPING KNOWLEDGE

Generalizations versus case studies is a controversial issue in the developing of new knowledge, but those two concepts do not lend themselves to conservative and liberal labels. Liberals tend to emphasize induction since it is normally associated with empirical observation. Conservatives tend to emphasize deduction since it is normally associated with reasoning from authoritative axioms.

The two key purposes of developing new knowledge are for better causal understanding and for broad practical knowledge. Those goals are also difficult to associate with the labels of conservative or liberal. Business conservatives emphasize practical knowledge. Intellectual liberals emphasize causal understanding. Within the same scholarly discipline, however, conservatives may advocate knowledge for knowledge sake. The liberals may then advocate knowledge that has implications for public policy or practical affairs.

Regardless whether the alternatives and goals are labeled conservative, liberal, position #1, or position #2, the SOS alternative might be a cyclical approach. Case studies lead to generalizations, but then generalizations are applied to specific situations which add to the case studies including the exceptions to the generalizations. Those new case studies reinforce or modify the generalizations, which then get applied to new case situations, and so on. The result is likely to better causal understanding than just relying on generalizations, and simultaneously better practical knowledge than just relying on case studies. See Table 2-5.

TABLE 2-5. GENERALIZATIONS VERSUS CASE STUDIES

GOALS	C Causal Understanding	L Broad Practical Knowledge
ALTERNATIVES		
C		
Generalizations	+	-
L		
Case Studies	-	+
N		
Middle Range	0	0
SOS OR WIN-WIN		
Cyclical Approach	++	++