Fiscal Transparency and the Social Benefits of Government Funded Research

Abstract
“...I investigate the effect of increasing transparency on the social benefits of government funded research. For this purpose, I exploit two laws enacted in the United States related to government funding and improved information provision. Using these, I analyze how the change in information disclosure affects follow-on innovation of government funded research. The results show an elevated degree of innovation building on federally funded patents after fiscal transparency increased due to additional information. I find that this effect could be attributed to a decrease in search costs and asymmetric information. Further results imply that patents funded by procurement contracts show a stronger increase in follow-on innovation compared to those funded by grants. Considering the actual amount awarded, I find a positive relationship and that patents from projects with a medium level of funding benefit in particular. These results imply a positive effect of more transparency on innovation.”