Voting and Economic Asymmetry

SHANE GREENSTEIN
greenstein@kellogg.northwestern.edu

Outside of a few square miles around Palo Alto, the vast majority of presidential voters decide their votes on the basis of policies other than those that shape high-tech markets. The list this year is long: the war in Iraq, the US healthcare system, the security of the nation in light of terrorist threats, the potential collapse of the financial system under the weight of unserviceable mortgages, and numerous social issues.

If you look a little deeper you will notice an asymmetry. Despite the unimportance of high-tech policy to voting decisions, the election results have enormous consequence for high tech. That asymmetry has been with us for many years, and it explains a lot of what we see in federal government policy. It shapes the tenor of elections, the prevalence of backroom decision making, and the type of policies for high-tech markets the US government makes.

This will take some explaining.

The Gore and Bush legacies

Presidential candidates treat high-tech topics like dangerous territory. In part this is because the most memorable aspects of national elections do not get much deeper than a few superficial comparisons, like the difference between economic policies that support potato chips and microchips.

More to the point, depth can backfire. After all, Al Gore made his prior support for the funding of Internet research one of the trophies of his campaigns, and what did it get him? A lot of ridicule over his claim to have invented the Internet.

Gore never said that, in fact, but there was no stopping the misquoting once it got started. The misquoting was funny and memorable and, although apocryphal, representative of his woodenness and nerdy self-involvement.

Don't get me wrong. Candidates also get in trouble if they don't appear tech savvy. George Bush Sr. earned the tech-rube tag for seeming to show surprise and curiosity at an automated scanner machine in a grocery store.

Once again, it was funny but also implausible. The former director of the CIA could not be that naïve. But the label represented something widely suspected about Papa Bush, that he was affably disconnected from the plain facts of everyone else's everyday life.

Let me say it a different way. Most presidential candidates do know their way around high-tech economic policy. My point is that they never say much about it in public, and when they do, it can come back to bite them. So they tread lightly. Silence is safer.

As far as I can tell, this year looks like past years in this broad sense. Judging from their websites, both presidential candidates in this year's election have opinions about R&D tax credits, net neutrality, H1-B visa limits, patent reform, and warrantless monitoring of the Internet by federal security agencies. But none of it makes headlines.

This year, just as in prior years, the details behind high-tech policies resist the type of broad, sweeping summary that makes for good political speeches. That is so for several reasons. Either the key issues in these policies do not stir up strong emotions in most voters, or they are particularly hard for nonexperts to fathom, or the policies just don't make much difference outside a small group of industry denizens.

How do things get decided?

Policy for high-tech markets does not disappear, however, just because political leaders don't make speeches about it. Tens of billions of dollars still could change hands with alteration to federal policies for R&D tax credits, net neutrality, H1-B visa limits, and patent reform, for example. Something still has to get decided, even if it only shows up occasionally on CNN in an obscure subcommittee hearing that only political junkies can interpret.

If elections don't determine policies, how do they get decided? To put it bluntly, the industry still cares, even if the voters don't. So too do the administrators in agencies who need to make policy. For better or worse, when issues get decided, they get decided by these people, outside the limelight. Adminis-

Published by the IEEE Computer Society

Voting and Economic Asymmetry

SHANE GREENSTEIN
greenstein@kellogg.northwestern.edu

•••••• Outside of a few square miles around Palo Alto, the vast majority of presidential voters decide their votes on the basis of policies other than those that shape high-tech markets. The list this year is long: the war in Iraq, the US healthcare system, the security of the nation in light of terrorist threats, the potential collapse of the financial system under the weight of unserviceable mortgages, and numerous social issues.

If you look a little deeper you will notice an asymmetry. Despite the unimportance of high-tech policy to voting decisions, the election results have enormous consequence for high tech. That asymmetry has been with us for many years, and it explains a lot of what we see in federal government policy. It shapes the tenor of elections, the prevalence of backroom decision making, and the type of policies for high-tech markets the US government makes.

This will take some explaining.

The Gore and Bush legacies

Presidential candidates treat high-tech topics like dangerous territory. In part this is because the most memorable aspects of national elections do not get much deeper than a few superficial comparisons, like the difference between economic policies that support potato chips and microchips.

More to the point, depth can backfire. After all, Al Gore made his prior support for the funding of Internet research one of the trophies of his campaigns, and what did it get him? A lot of ridicule over his claim to have invented the Internet.

Gore never said that, in fact, but there was no stopping the misquoting once it got started. The misquoting was funny and memorable and, although apocryphal, representative of his woodenness and nerdy self-involvement.

Don't get me wrong. Candidates also get in trouble if they don't appear tech savvy. George Bush Sr. earned the tech-rube tag for seeming to show surprise and curiosity at an automated scanner machine in a grocery store.

Once again, it was funny but also implausible. The former director of the CIA could not be that naïve. But the label represented something widely suspected about Papa Bush, that he was affably disconnected from the plain facts of everyone else's everyday life.

Let me say it a different way. Most presidential candidates do know their way around high-tech economic policy. My point is that they never say much about it in public, and when they do, it can come back to bite them. So they tread lightly. Silence is safer.

As far as I can tell, this year looks like past years in this broad sense. Judging from their websites, both presidential candidates in this year's election have opinions about R&D tax credits, net neutrality, H1-B visa limits, patent reform, and warrantless monitoring of the Internet by federal security agencies. But none of it makes headlines.

This year, just as in prior years, the details behind high-tech policies resist the type of broad, sweeping summary that makes for good political speeches. That is so for several reasons. Either the key issues in these policies do not stir up strong emotions in most voters, or they are particularly hard for nonexperts to fathom, or the policies just don't make much difference outside a small group of industry denizens.

How do things get decided?

Policy for high-tech markets does not disappear, however, just because political leaders don't make speeches about it. Tens of billions of dollars still could change hands with alteration to federal policies for R&D tax credits, net neutrality, H1-B visa limits, and patent reform, for example. Something still has to get decided, even if it only shows up occasionally on CNN in an obscure subcommittee hearing that only political junkies can interpret.

If elections don't determine policies, how do they get decided? To put it bluntly, the industry still cares, even if the voters don't. So too do the administrators in agencies who need to make policy. For better or worse, when issues get decided, they get decided by these people, outside the limelight. Administrators, experts, and lobbyists take part in backroom decision making.

I once believed, as many online denizens do, that the rise of blogs might change the prevalence of backroom decision making in government policy. I do not think so any longer, and that is based on recent experience. The blogosphere is full of Bush-administration critics these days, but rarely do their rants shape high-tech policy.

Even the exceptions prove the rule. A few years ago, the Federal Communication Commission attempted to permit consolidation and cross-ownership among TV, radio, and newspapers. It faced a buzz saw from the blogosphere and—big surprise—the blogs won. Yet, that experience turned out to be rare. The same part of the blogosphere has not succeeded in winning much for its positions in either net neutrality, warrantless monitoring of the Internet, or open access to the Internet.

Indeed, the most recent exception has been painful to watch. After tremendous pressure was brought to bear on it, the FCC adopted a set of rules for the spectrum auction that compelled the winner of one part of that spectrum to open up their cellular system to third parties.

If the blogosphere had gotten what it wanted, then the entire auction would have been open and not with any condition. What we got instead was an opening in only one channel of the spectrum, and only after a certain set of conditions was met during the auction. Ultimately, Google had to risk several billion dollars in the auction to make sure the conditions kicked in, and there are still lawsuits pending about what the rules mean if and when they get enforced. This is a partial victory for the open-access blogs, at best.

Moreover, I am not convinced the blogosphere had much to do with this outcome. The biggest influence was plain and old-fashioned. It came from Congress. Savvy lobbying efforts from Google, Microsoft, Yahoo, and other Internet firms managed to keep the cellular firms from getting their entire wish list. In other words, the backroom dynamic looks like it will stick around indefinitely.

What gets decided?

What sort of economic policies in high tech can presidents influence with backroom decisions? In short, presidents shape two things: budget priorities and administrative appointments.

Among the biggest are budget priorities for items that rarely influence voters, such as the budgets for the NSF and DARPA. These priorities can change IT markets in big ways.

History is full of examples. The NASA program in the 1960s put lots of money in US integrated-circuit firms. In the 1970s, DARPA almost single handedly funded early prototypes for packet switching. In the 1980s and early 1990s, the NSF funded many prototypes that led to the commercial Internet, such as the Internet backbone and browser.

These same budgets also had enormous effects on the training of scientists and engineers. In the past (and continuing today), the graduate programs at MIT, Stanford, Berkeley, Carnegie Mellon, Cal Tech, UCLA, Michigan, Illinois, Cornell, Georgia Tech, and plenty of other prestigious engineering schools would practically fall apart without federal funding.

Budget priorities also certainly affect the competitiveness of US high tech. Lest you disbelieve, examine the institutions listed on the resumes of the degreed and drop-outs at IBM, Google, Microsoft, Sun, Intel, and Cisco. Most got their student support at places funded by federal grants. These grants constitute a big training subsidy to the industry, albeit an indirect one.

Presidents also can make an enormous difference in the appointments of personnel who choose among distinct regulatory priorities. Sometimes this makes headlines, but more often it is far off the radar screen of all but the cognoscenti.

For example, the appointments at the Department of Justice have had large consequences. The only one that made headlines was the Microsoft case, but that is a good illustration. Clinton appointees pursued the case with vigor and for years, and then Bush appointees closed it as soon as they had political cover. Behind that case also are scores of others where the two administrations took distinct tacks.

Another illustration comes from the FCC. The Bush administration has been as happy to appoint those who favor deregulation as the Clinton administration was to appoint the opposite.

Once again, this mattered for outcomes. This recent set of appointees favors a light touch on US net-neutrality policy, and they favorably view the consolidation of cellular providers and local telephone providers through merger. That is quite the opposite of what the FCC declared in the prior eight years.

I could go on, but these examples amply illustrate the asymmetry. A presidential candidate may not win or lose any votes for his or her stance on telephone deregulation, DARPA funding, the Microsoft case, merger policy in media markets, net neutrality, spectrum openness, or levels of funding for training graduate students in computer science and engineering. Yet, those same policies make a big difference to high-tech markets.

Resigned to it

I once interviewed an Internet entrepreneur with interests in the data carrier business who located his firm outside of Washington DC. I asked him why he picked that spot instead of any number of places where the labor market for engineers was a bit thicker. (He will remain anonymous for these purposes.)

He was quite frank. He did not want to be surprised by quiet, backroom decisions, and he wanted to easily drive next door to influence policy makers.

The answer was both savvy and disturbing. Like a good entrepreneur, he adjusted his strategy to the way the world worked. Yet, there is something askew when backroom government decision making shapes an entrepreneur's choice of location more than resource availability.

Published by the IEEE Computer Society