Discussion of

Innovation and the Enforceability of Noncompete Agreements: Evidence from State Law Changes

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CMU

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  - True loss in innovation, not reallocation to other states.

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	(5) Establishment Entry Rate	(6) Job Creation Rate	(7) Startups' C-W Patents	(8) Non-Startups' C-W Patents
NCA Score	-.49*	-.565**	-2.54***	-1.25
	(.256)	(.218)	(.923)	(1.11)
Mean DV	1.3	0.6	65.0	328.7
Effect of Mean Change	-3.2%	-7.2%	-18.6%	-9.6%
N	2700	2700	2700	2700

Public-listed firms:

	(1) Intangible Investment	(2) Capital Investment	(3) Patent Counts	(4) Citation Weighted Patents	(5) Patents' KPSS Value
NCA Score	.190**	-.0227	-4.13***	-4.88**	-4.15**
	(.088)	(.052)	(1.03)	(2.22)	(2.08)
Mean DV	0.190	0.060	20.3	18.4	314.6
Effect of Mean Change	8.1%	-3.1%	-28.4%	-32.6%	-28.6%
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- ⇒ ONLY losers, NO identifiable winners?!

COMMENTS

Piece together the evidence & potential mechanisms:

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How do noncompetes affect innovation?

1. Patents versus non-patents

2. Production of innovation: Spillovers

3. Incentives for innovation: Rents

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  - *"Human capital": embodied in employees.* Training expenses.
    ... *Other forms of "organizational capital"*: trade secrets, etc.
  - *Trademarks.* Marketing expenses.

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Hypothesis:

- NCAs can inhibit innovation spillovers across firms.
- ⇒ Social returns to R&D goes down.

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2. EVIDENCE: NCAS INHIBIT SPILLOVERS

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- Authors show decline in worker mobility (J2J).

- **Inventor mobility** would provide more direct evidence?

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    - "Own Innovation" is the main source of growth. Garcia-Marcia Hsieh Klenow 2019.