

Heterogeneous Innovation over the Business Cycle

Gustavo Manso ¹

¹ University of California, Berkeley

Resumo/Abstract:

Previous research has argued that innovative activities should be concentrated in recessions. However, innovation, as measured by R&D expenditure, seems to concentrate in booms. We argue that R&D expenditures do not capture the different dimensions of firms innovative search strategies. We introduce a model of innovative exploration and exploitation over the business cycle and present supporting evidence from a battery of patent-based measures. Exploitation strategies are more prevalent in booms while exploration strategies are more prevalent in recessions.