

The Effect of Economic Crises on Patenting Activity Across Countries

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This article offers a conceptual and empirical contribution on the effect of economic crises on patenting activity across countries. It does so in the midst of the overly general view whereby economic crises flatly chill patenting activity for all countries alike.

Financial crisis literature commonly assumes that during global financial crises private enterprises consequently tend to retreat to the safety of their domestic markets. They presumably do so because of the lesser familiarity of foreign markets, the currency risks involved in international investment, and uncertainties regarding the issue of how states will treat foreign assets.

This article acknowledges the idiosyncrasies underlying advanced and emerging economies abridging the archetypical North-South divide while rendering separate patenting patterns in particular. It offers a quantitative statistical methodology for the evaluation of the influence of economic crises on patenting activity. The article's main finding shows that when analyzing patent application rates by proxy of applicants' national origin (or shortly, 'by origin') applications, the influence of economic crises modeled through independent economic variables is much weaker over emerging economies than over advanced economies. Consequently, when the economic variables' values rise, the probability of the negative change in patent applications count falls. Surely this decline is much steeper for advanced economies than for emerging ones.

The analysis possibly corroborates that in emerging economies, where innovation is predominantly promoted by overseas multinational corporations (MNEs) and foreign direct investments (FDI) - patenting activity-related decisions come from outside the country and relatively less as a response to economic developments within the country.