

THE FREEDOM TO INNOVATE AND ELIMINATING BARRIERS FOR MORE INNOVATORS

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Good morning, Chairwoman Schakowsky, Ranking Member McMorris Rodgers, and distinguished members of the Consumer Protection and Commerce Subcommittee.

My name is Jennifer Huddleston and I am a research fellow at the Mercatus Center at George Mason University. Thank you for the opportunity to discuss some of the important issues surrounding diversity in technology and innovation. As a former Teach for America corps member who taught elementary school math in the Mississippi Delta, I learned firsthand how important it is to provide *all* students with the necessary skills to excel in the 21st-century workforce. Today I would like to focus on the following three points:

1. Technological innovation, and particularly the internet, has granted unparalleled access to information. This innovation has enormous potential reduce inequality in opportunity.
2. Regulations, even when well intentioned, can actually create barriers and have a negative effect on the very people they were intended to help. Licensing schemes, in particular, can disproportionately deter small entrepreneurs.
3. Similarly, regulations that limit speech will disproportionately burden marginalized communities. Instead, regulations should seek to foster innovation.

THE POSITIVE IMPACT OF TECHNOLOGY AS A TOOL FOR EQUALITY

Technology has been a great equalizer and an incredibly empowering tool particularly for those who might otherwise have limited opportunities. This fact applies not just to America's recent internet age, but also to a variety of tools Americans may no longer consider innovative, such as the tractor and the washing machine.

In 1870, less than 60 percent of school-age children attended public school, but today greater than 90 percent are enrolled.¹ While changing norms and society's placing increased value on education are certainly a key part of the story in this increase, technology played an important role as well in allowing parents to invest in their children, making those children useful beyond household labor. In fact, early tractor ads touted the opportunity to "keep the boy in school—and let a Case Kerosene Tractor take his

¹ Education Policy Institute, "The Landscape of Public Education: A Statistical Portrait Through the Years" (*Epicenter*, April 2011, Virginia Beach, VA, April 2011), 3.

place in the field.”² Similarly, inventions like the washing machine have drastically decreased the amount of time needed to complete household labor chores that fell disproportionately on women and girls.³ The connection between the availability of such labor-saving technologies and the opportunity for children to become educated is still seen across the globe today, as girls are more likely than boys to be kept out of school in developing countries, in part owing to household labor requirements.⁴

Technology is also being utilized by teachers and school districts to help close the digital divide so that all children are prepared for a 21st-century workforce. Schools that may have limited resources or not enough students to offer are able to use technology to increase opportunities without overly burdening their budgets. By using virtual classrooms and collaborative teleconferencing technology, school districts—particularly those in rural areas—from Mississippi to Maine have been able to offer Advanced Placement classes and STEM classes that they otherwise would not have been able to.⁵ Additionally, new and low-cost resources are able to make a wide variety of topics come alive for students. With just a piece of cardboard, a teacher can take his or her students on a virtual field trip around the world, expanding their point of view and inspiring the next wave of innovators.⁶ In my time as a teacher in the Mississippi Delta, I saw firsthand how technology could spark new joy in students and inspire them to imagine a brighter future.

The ability of technology to empower people and bridge gaps does not end with formal education. As much as 80 percent of working mothers have said that they are more productive when they are able to utilize flexible work arrangements, many of which have been enabled by technology.⁷ Additionally, 75 percent of stay-at-home moms said they would be likely to work if more flexible work arrangements were available to them.⁸ Increasing women’s ability to work globally would add as much as \$12 trillion to the global economy, according to a McKinsey study.⁹ As society has seen in the past, innovation can play a key role in increasing this access.

THE NEGATIVE IMPACT OF LICENSING AND REGULATORY SCHEMES

Often regulations intended to protect citizens may backfire by creating more regulatory red tape for those who wishing to innovate. These burdens can harm diversity by having a greater impact on those fewer resources or connections. America has a long history of being a leader in technology, and the freedom to innovate should continue to be a priority.

Regulations can deter entrepreneurship in the digital age when occupational licenses don’t allow for businesses to operate across state lines. For example, websites giving dietary advice and retired veterinarians helping pet owners through teleconferencing have found themselves in court fighting government regulations that require state-specific licenses to engage in such speech online.¹⁰ While many of those entrepreneurs have succeeded in challenging these laws, in general such requirements serve a roadblock to entrepreneurs who wish to bring their products to consumers. This is particularly true for women and minorities, who may have fewer resources available when launching their businesses.

² Chelsea Follett, “Technological Progress Freed Kids from Hard Labor,” *Human Progress*, July 2, 2018.

³ Follett, “Technological Progress.”

⁴ Follett.

⁵ Jackie Mader, “Can Online Learning Level the Advanced Placement Playing Field for Rural Kids?,” *Mississippi Today*, March 6, 2018.

⁶ Jordan Catapano, “Technology in the Classroom: Google’s Virtual Field Trips,” *TeachHub.com*, n.d.

⁷ Katherine Bowers, “How We Flex,” *Working Mother*, October 18, 2016.

⁸ James Manyika, “Technology, Jobs, and the Future of Work” (Executive Briefing, McKinsey Global Institute, New York City, May 2017).

⁹ Jonathan Woetzel et al., “How Advancing Women’s Equality Can Add \$12 Trillion to Global Growth” (Report, McKinsey Global Institute, New York City, September 2015).

¹⁰ Institute for Justice, “Florida Diet Coaching,” accessed February 8, 2019, <https://ij.org/case/florida-diet-coaching/>; Conor Beck, “Texas Veterinarian Fights for Right to Give Professional Advice,” press release, October 2, 2018, <https://ij.org/press-release/texas-veterinarian-fights-for-right-to-give-professional-advice/>.

Regulations such as licensing regimes often negatively impact women and minorities and can deter entrepreneurship in low-income communities. Occupational licensing costs the average licensee \$209 and requires nine months of education.¹¹ Such regimes affect not just traditionally licensed occupations such as doctor and lawyer; nearly 30 percent of the national workforce needs a license to work.¹² Both historical context and research on contemporary restrictions show that such requirements have a negative impact on women and minorities entering licensed fields.¹³

To foster diversity in technology, America should encourage the next generation to embrace the freedom to innovate; instead, however, young people often face many government barriers that could discourage them from innovating.¹⁴ “Evasive” entrepreneurs behind products many consumers have rapidly embraced, such as ridesharing,¹⁵ homesharing,¹⁶ and dockless scooters,¹⁷ have found themselves faced with costly lawsuits, cease and desist orders, and governments attempting to shoehorn them into existing regulatory schemes. Such efforts prevent innovative alternatives from replacing existing incumbents and limit choices to consumers.¹⁸ Even children may find their lawnmowing business or lemonade stands closed down for failing to comply with licensing requirements.¹⁹ Rather than teaching all children to embrace their entrepreneurial passions and innovate, such requirements instead discourage them by requiring burdensome permission first.

The freedom to innovate has made America place where many of its greatest innovators start from humble beginnings and trillion-dollar companies are begun in a garage. Rather than use regulations, America should look at how to encourage more innovation across communities by removing barriers to entrepreneurship, both online and offline.

THE FREE EXCHANGE OF IDEAS IS VALUABLE AND CREATES OPPORTUNITIES TO HEAR ALL VOICES

One great benefit of the internet has been to allow increasing numbers of people to share their points of view with the world and to allow marginalized groups be heard. While such a broad marketplace of ideas may at times pose challenges and lead to difficult decisions for technology companies trying to navigate discordant cultural values,²⁰ it is important to maintain the free exchange of ideas online. Free speech is not a partisan issue.

Regulations could prevent the exchange of information or ideas. For example, residents in European countries covered by the General Data Protection Regulation can no longer access US newspapers online.²¹ State regulations like the California Consumer Privacy Act could similarly harm the ability of Californians to access varied viewpoints and information when companies are forced to decide between withdrawing their service or paying the millions of dollars in compliance costs.²²

¹¹ Dick M. Carpenter II et al., *License to Work: A National Study of Burdens from Occupational Licensing* (Arlington, VA: Institute for Justice, May 2012).

¹² Carpenter et al.

¹³ Matthew D. Mitchell, “Occupational Licensing and the Poor and Disadvantaged” (Mercatus Policy Spotlight, Mercatus Center at George Mason University, Arlington, VA, September 2017).

¹⁴ Adam Thierer and Jennifer Huddleston Skees, “Lemonade Stands and Permits,” *The Bridge*, August 20, 2018.

¹⁵ Michael D. Farren, Christopher Koopman, and Matthew D. Mitchell, “Ridesharing vs. Taxis: Rethinking Regulations to Allow for Innovation” (Mercatus on Policy, Mercatus Center at George Mason University, Arlington, VA, May 25, 2017).

¹⁶ Ally Marotti, “Hotel Industry Group Says AirBnB Hosts Running ‘Illegal Hotels,’” *Chicago Tribune*, March 9, 2017.

¹⁷ Jennifer Huddleston Skees and Trace Mitchell, “Will the Electric Scooter Movement Lose Its Charge?,” *The Bridge*, July 18, 2018.

¹⁸ Farren, Koopman, and Mitchell, “Ridesharing vs. Taxis,” 17.

¹⁹ Thierer and Skees, “Lemonade Stands and Permits,” 16.

²⁰ Jason Koebler and Joseph Cox, “The Impossible Job: Inside Facebook’s Struggle to Moderate Two Billion People,” *Motherboard*, August 23, 2018.

²¹ Alanna Petroff, “LA Times Takes Down Website in Europe as Privacy Rules Bite,” *CNN Business*, May 25, 2018.

²² Jennifer Huddleston Skees, “The Problem of Patchwork Privacy,” *Technology Liberation Front*, August 15, 2018.

Much like with the occupational licensure regulations discussed previously, these restrictions could disproportionately affect less common viewpoints and more marginalized communities by increasing barriers to entry and making it more likely that unconventional viewpoints are moderated.²³ Smaller companies are less likely to be able to absorb the high costs of compliance and they are unlikely to be able to simply reallocate resources.²⁴ As a result, newer, better products that could be used to empower individuals and create a more diverse societal discourse with more points of view might never get off the ground. By raising costs, regulations diminish the voices consumers are able to hear and can limit the viewpoints they may be exposed to and the opportunity to have important conversations.²⁵ When regulations dictate how innovators and intermediaries must handle difficult decisions, society risks losing innovation, ideas, and voices.

The American approach of encouraging innovation and entrepreneurship has resulted in its being a leader in such fields. Today *anyone* could come up with the next great innovation. We should continue to embrace a freedom to innovate rather seek regulation that might limit who that next great innovator could be.

Sincerely,

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²³ Brent Skorup and Jennifer Huddleston Skees, "It's Not about Facebook, It's about the Next Facebook," *Real Clear Policy*, June 1, 2018.

²⁴ William Patrick, "Big Tech Could Benefit from Onerous Data Privacy Legislation Experts Say," *Epoch Times*, January 25, 2019.

²⁵ Adam Thierer, "GDPR Compliance: The Price of Privacy Protections," *Technology Liberation Front*, July 9, 2018.