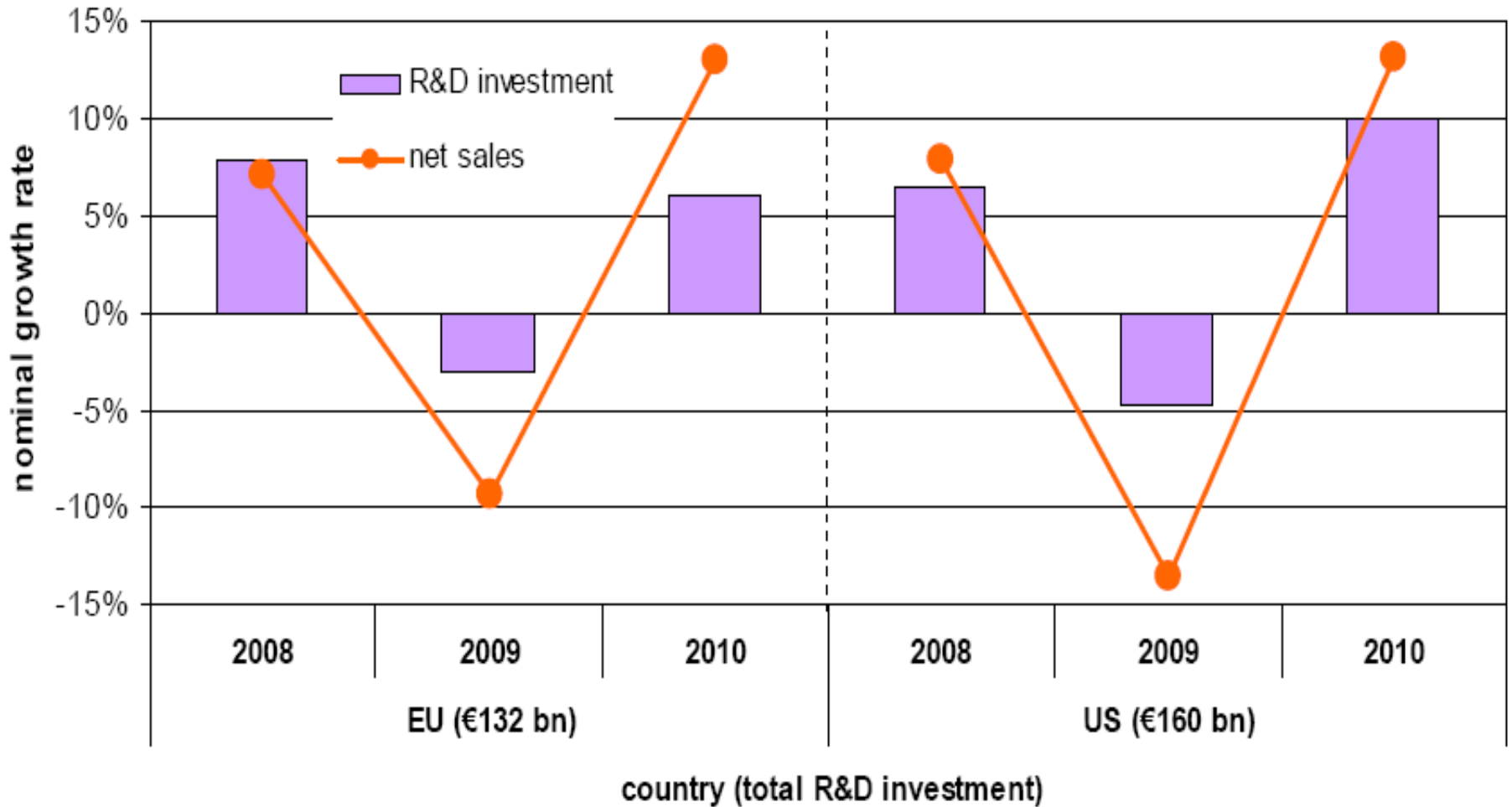


The background image is a blurred photograph of a modern building's interior. In the center, there is a large, colorful, abstract sculpture made of many small, translucent pieces in shades of blue, green, and yellow. The sculpture has a jagged, crystalline appearance. The surrounding environment includes architectural elements like beams and lights, but they are out of focus.

Innovation in the Context of the Economic Crisis

What has happened to innovation?

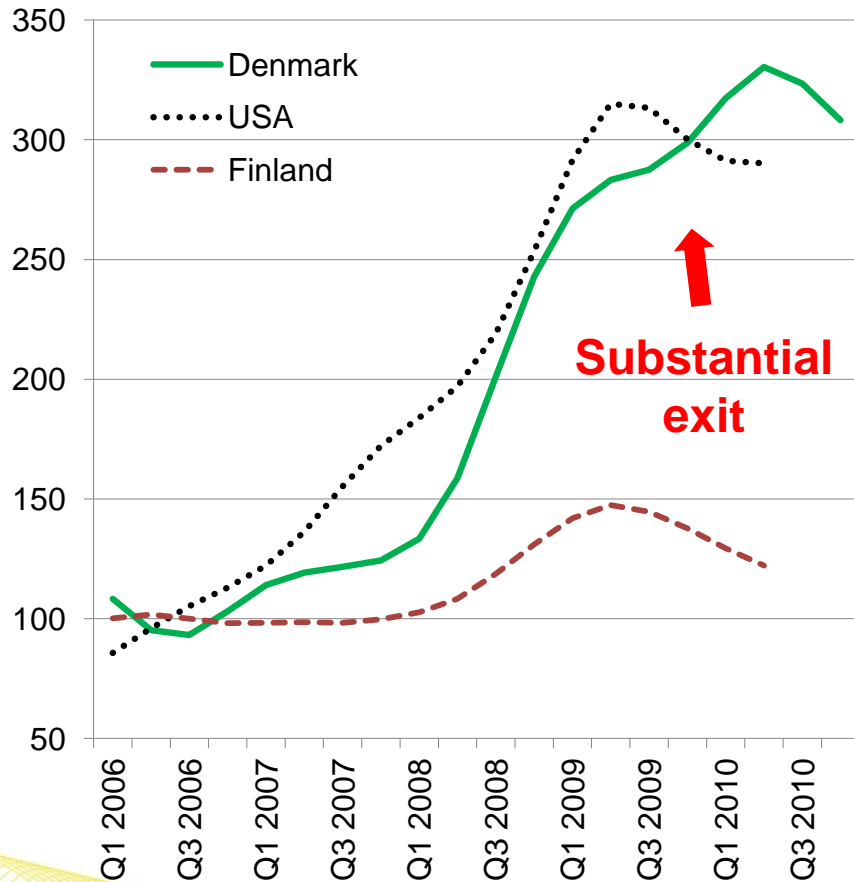
Growth of R&D investment and net sales among the top R&D firms



Firm dynamics: “creative destruction”?

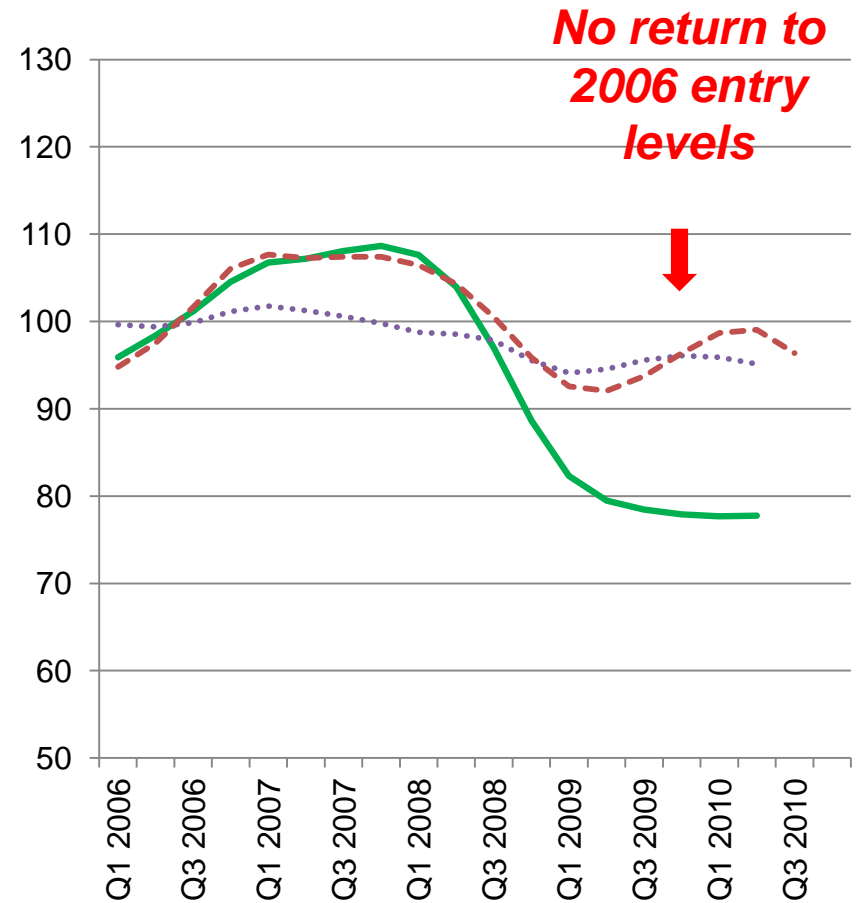
Bankruptcies

(2006 = 100)



Enterprise creation

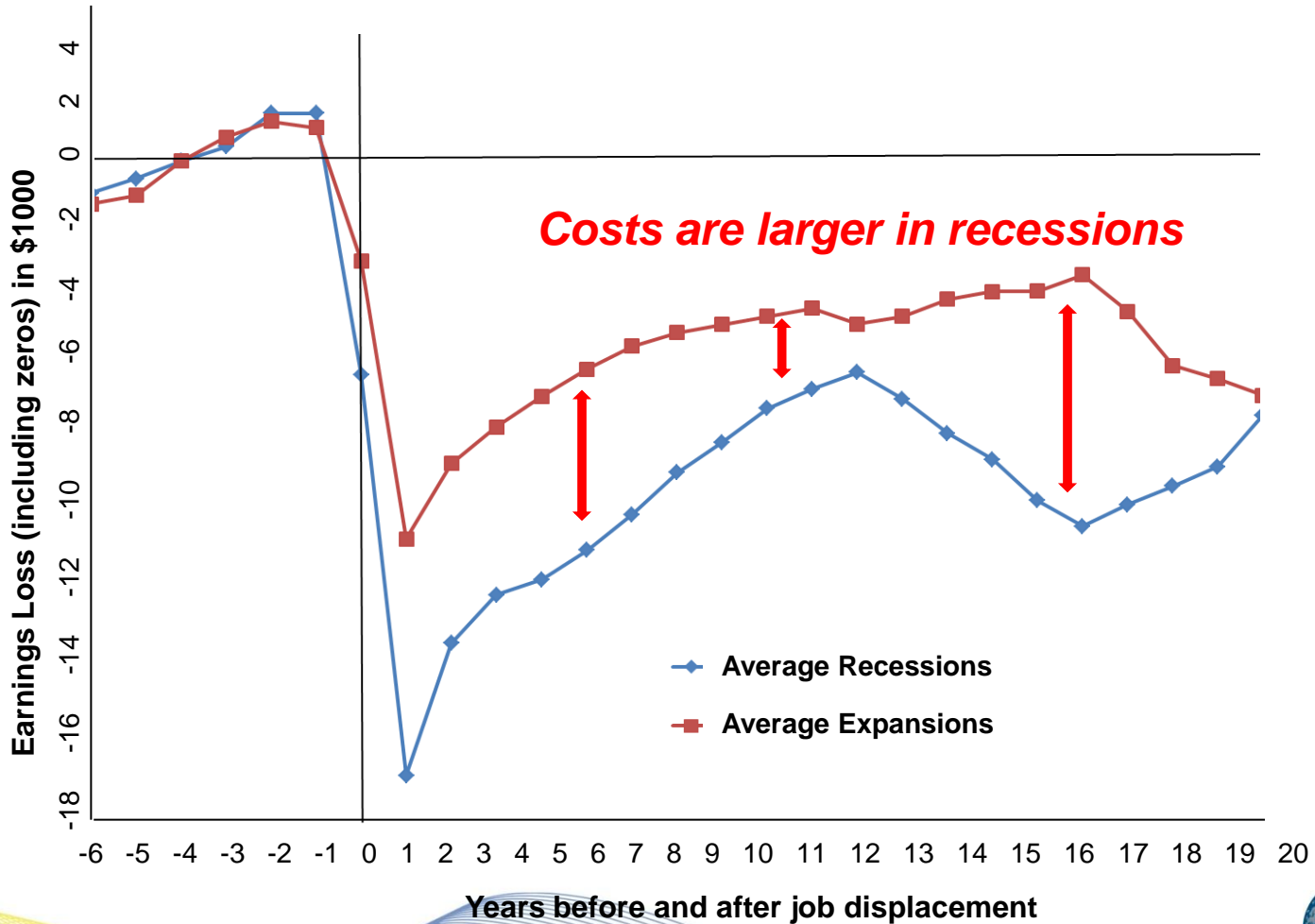
(2006 = 100)

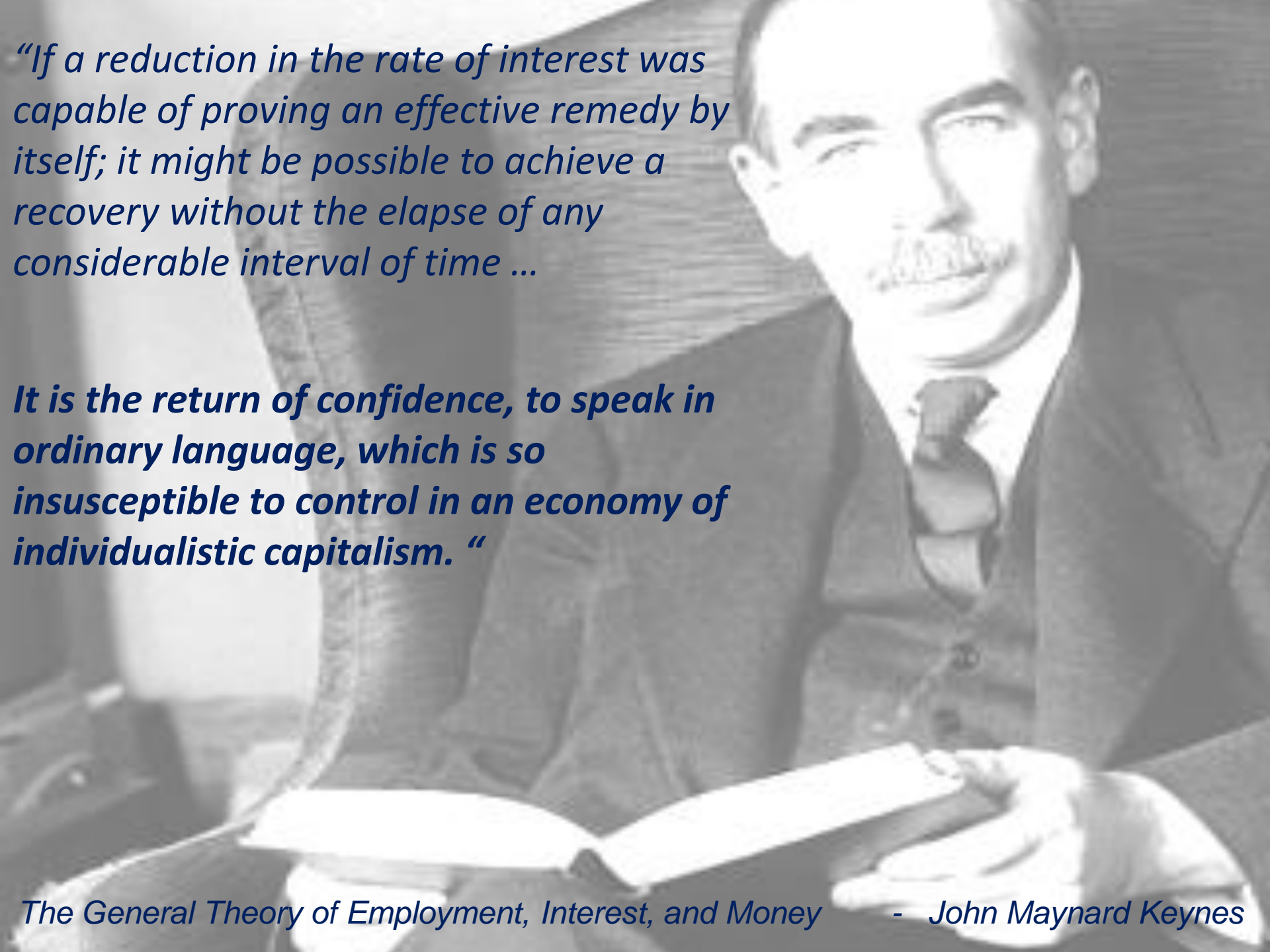


Restructuring is costly!

The impact of job displacement on earnings

(for men with at least 3 years of job tenure, at least 50 employees firm, mass lay-off event 30% over 2 years, sample for US from 1970-2007)





“If a reduction in the rate of interest was capable of proving an effective remedy by itself; it might be possible to achieve a recovery without the elapse of any considerable interval of time ...

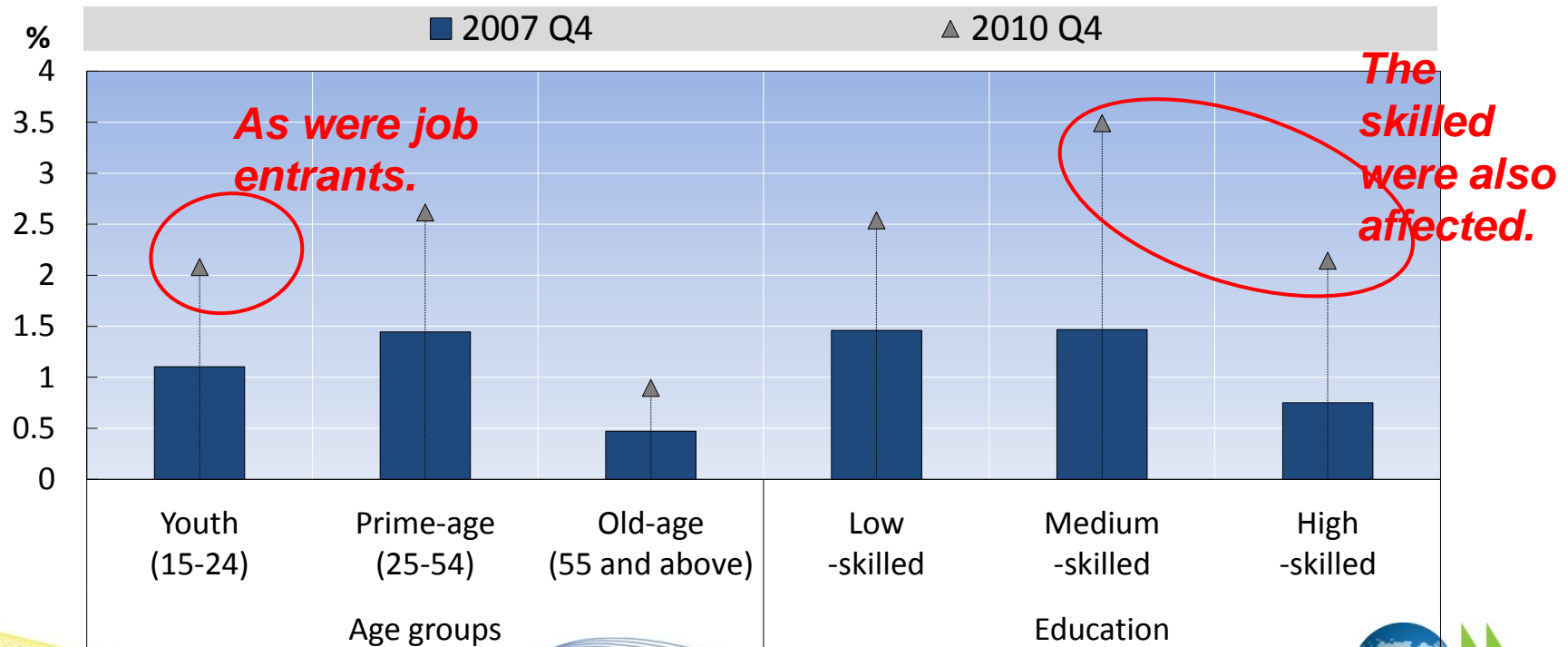
It is the return of confidence, to speak in ordinary language, which is so insusceptible to control in an economy of individualistic capitalism. “

Five sources of long-term risks for innovation-based growth in OECD economies!

1 Damages to human capital

- Loss of valuable “tacit knowledge” for firms with dismissals
- Depletion of available skills for innovation due to long-term unemployment

Persons unemployed a year or longer as a share of the working-age population, OECD average*



Five sources of long-term risks for innovation-based growth in OECD economies!

1 Damages to human capital

- Depletion of available skills for innovation due to long-term unemployment
- Loss of valuable “tacit knowledge” for firms with dismissals

2 Damages to investment

- Foregone investments affect future rate of innovations
- Possible “scars” to the innovation infrastructure

3 Relocation of innovation activities

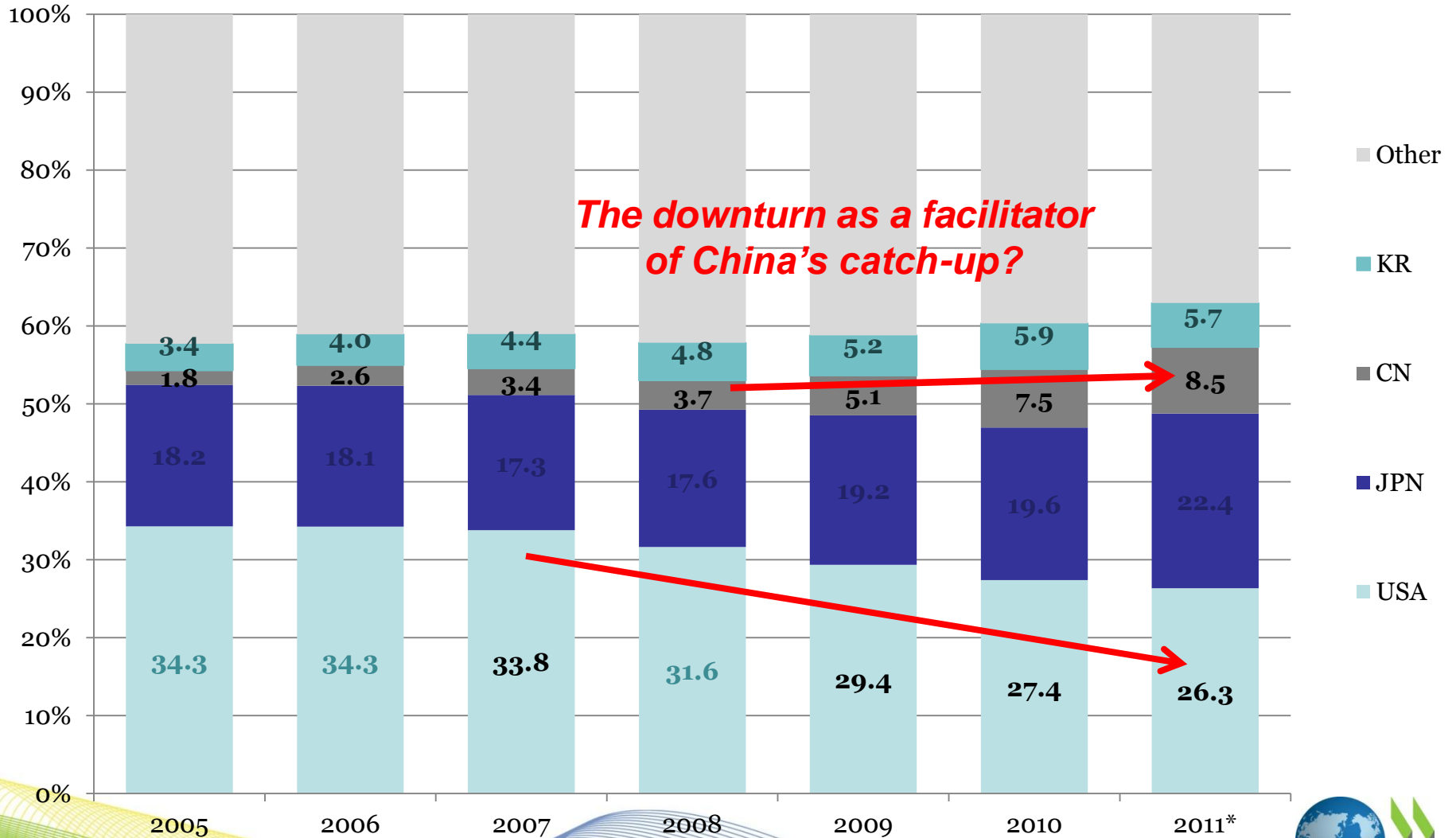
- Probably takes much longer to materialise, yet if unequal growth performance persists there might be risks

4 Financial market conditions

5 Public support for innovation

Relocation?

Country percentage shares in total PCT patent filings



The downturn as a facilitator of China's catch-up?

Thank you

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