Innovation and Its Impacts on Inclusive Growth

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Innovation Policies and Inequality

- Creative destruction & “winners” and “losers”
- Yet innovation policies are analyzed from aggregate growth perspective
- Many innovation policies affect social inclusiveness primarily by how they affect industrial inclusiveness (innovation performance differences)
Drivers of Policy Impacts on Inclusiveness?

- Policies’ impacts on inclusiveness are a consequence of:
  1. *Strategic Objectives* and 2. *Outcomes*

1. *Strategy* depends on expected growth contribution of “democratising innovation” vs. “islands of excellence”

→ determines *selectivity* of growth policies vs. endeavour of providing broad-based opportunities
Increased Value from “Democratising Innovation”?

- Not only technical innovation is valuable & benefit of widespread contributions
- ICT-based opportunities: networks/platforms and reduction in “fixed costs”
- Demand & smaller players/entrepreneurs/grassroots
On the Importance of Being “Selective”

- Concentration of production in global value chains /quest for competitiveness
- Continued importance of scale for innovation (e.g. pharma)

- Successful growth trajectories of the past

“Select and Focus” Strategy

1960s
- Light Industries
  - Import Protection
  - Foster export-oriented light industry

1970s
- Heavy Industries
  - Introduce new technology, expand technological capability

1980s
- Assembly & Processing Industries
  - Promote import liberalization
  - Expand investment in technological development, training of skilled manpower

1990s
- IT Industry
  - Strengthen demand-driven technological innovation
  - Establishment of nationwide IT infrastructure
Trickle-Down Dynamics: ICTs as a Means for Support

- Differential returns depend on relevance, absorptive capacities and linkages

- *Evidence on ICT Opportunities*: ICTs can contribute as source of knowledge spillovers (networks) to the advantage of “weaker” firms ... but requires some absorptive capacity
Policy Implementation Is Often Exclusive

• Independently of “strategy” policy outcomes may not be “democratic”

• Evidence on IP Ownership: Statistical analysis shows firms’ ownership of intellectual property rights is affected by institutional weaknesses, but it is the smallest firms that are more affected

• Evidence on Policy Complementarities: Statistical analysis shows only large differences in benefits from liberalization only where framework conditions were to the disadvantage of smaller firms
A Few Conclusions

- **Strategic objectives and outcomes** affect inclusiveness of innovation policies.
- **Distributional outcomes** requires assessing often unintended biases ... *complementary policy* approaches to avoid exclusion.
- **Trade-off arise in search of “excellence” vs. the “creating level-playing field”** – *challenge is not to drop excellence but to tap into it better*.
- Inclusive innovations illustrate a way for addressing particularly challenging obstacle for benefitting from innovation.