



Innovation and Its Impacts on Inclusive Growth

Caroline Paunov

Paris, France - 3 July 2014



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

INNOCENTIVE[®]

1-855-CROWDNOW · [Contact Us](#) · [Blog](#) | [Register](#) · [Login](#)

[My IC](#)

[Products/Services](#)

[For Solvers](#)

[Challenge Center](#)

[Resources](#)

[About Us](#)

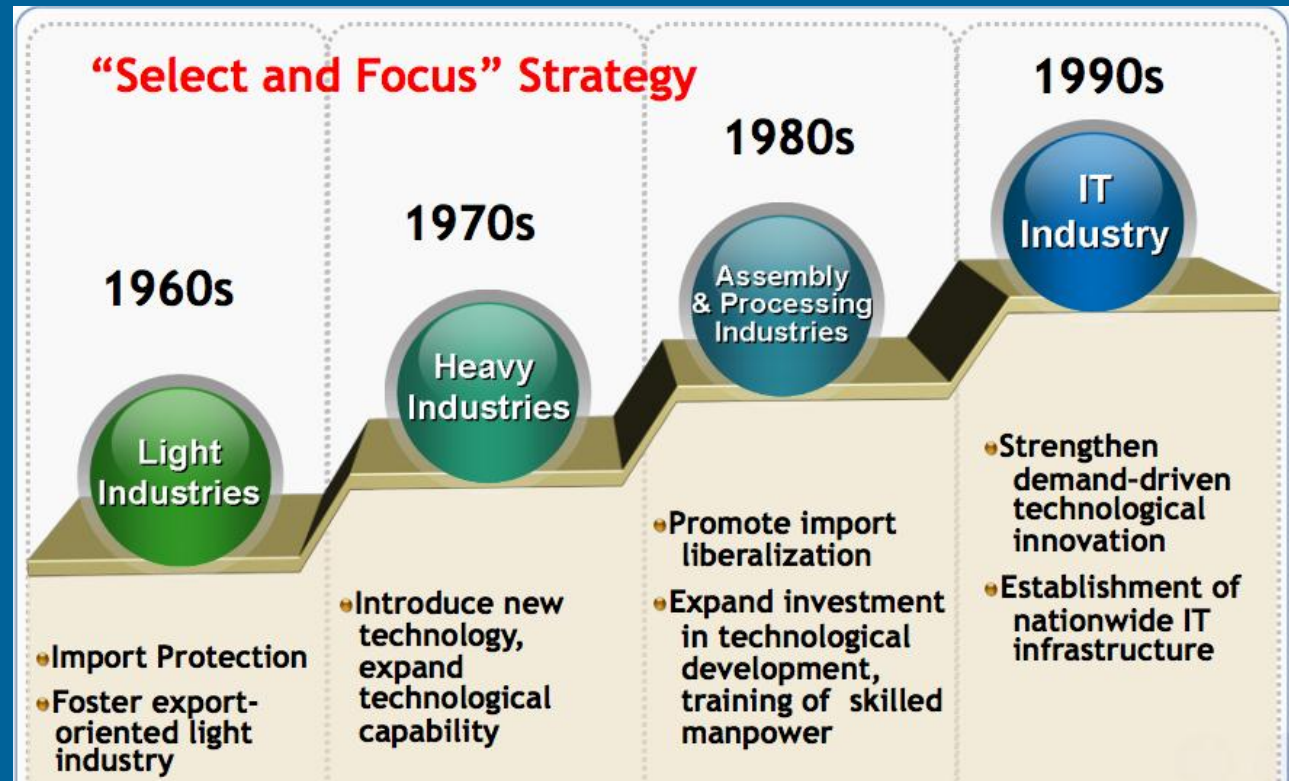




On the Importance of Being “Selective”

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

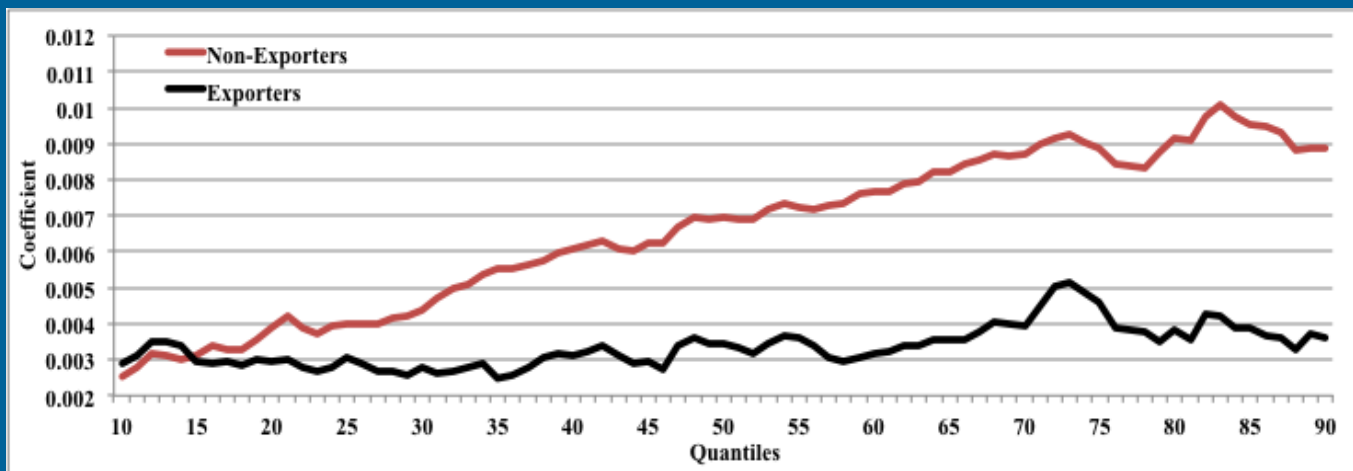
- Successful growth trajectories of the past





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